Bristol Library Service

Alternative Delivery Model Options Appraisal

Version 4.0

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Contents

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1. Executive Summary

Background and context - The Bristol Library Service ('the service') is considering options to realise significant savings. In short, the service remains in demand and performs well, but Bristol City Council ('the Council') can no longer afford to maintain the service's current operating model of 27 libraries due to a £1.4million budget reduction.

This options appraisal is required to assess desirability, viability and feasibility of establishing and operating the core library service as an alternative delivery model (ADM). It focuses on identifying the preferred delivery model (from the options put forward in this paper) that offers the service the most sustainable future. It is important to note that the option of the service 'remaining in-house with re-engineering' is included within the list of ADM options considered within this appraisal.

The scope of this options appraisal was confirmed at the Council Executive Board on 30th January 2018. The approach taken at the meeting requires this appraisal to identify the preferred delivery model for a library service made up of 10 libraries and 3 extended-access libraries ('the core library service'). The core library service would be responsible for ensuring the delivering the Council's statutory library obligations (the 'core and local offer').

It should be stressed that the 10 + 3 service configuration considered within this appraisal is one possible option for the future shape of the service. Section 3.2 provides details of two other areas of investigation that are also being undertaken. As such, work to appraise the ADM options for the core library service should not be seen in isolation, but as one element of a wider review to determine the preferred configuration and delivery model for the service.

Should a decision be taken to consider a different service configuration (i.e. more or less than the 10 + 3 libraries that are currently considered to be in-scope), two of the three elements that make up this appraisal are scalable (desirability and feasibility). Given the nature of the assessment criteria developed by the Council, service and community representatives, the scorings for both of these areas are unlikely to change significantly should the service configuration change.

A new viability assessment would however be required. As outlined within the viability section (see section 11), the majority of external delivery model options are at risk of being unviable. Should additional libraries be included within the scope of the core library service without additional funding being made available, each ADM option is at risk of being considered unviable.

Summary of findings - As demonstrated by the table below, the Public Service Mutual (PSM) with charitable status and joint venture with charitable status are identified as the preferred ADM options for the core library service. Based on the assessment criteria, scoring mechanisms, weightings and propositions developed in partnership with the service and other stakeholders, both score the same points and are ranked as equal 1st.

Overall scoring	Score	Points available	% score	Rank
PSM - charity	1344	1630	82.45	=1st
Joint venture - charity	1344	1630	82.45	=1st
Outsource - not-for-profit	804	1010	79.60	3rd
Outsource - for-profit	754	1010	74.65	4th
PSM - non-charity	1164	1630	71.41	5th
Joint venture - non-charity	1114	1630	70.18	6th
Remain in-house with re-engineering	746	1190	62.69	7th
Strategic partnership	1014	1630	62.21	8th
Local Authority Trading Company (LATC)	955	1630	58.59	9th

A brief summary of the assessed strengths and weaknesses for each option is provided below:

PSM with charitable status (=1st) - A contractual relationship would exist between the Council and new model. The nature of this relationship would provide the service with the independence and decision making autonomy required to operate as a single focussed service.

The contractual arrangement has the potential to lead to a longer term planning horizon (depending on the terms of the contract), as the Council and PSM's board of directors would be required to agree any changes to the service specification and/or contract.

The PSM option offers staff, volunteers, Friends Groups, individual library users and community organisations the opportunity to be meaningfully engaged and able to directly influence the strategic direction of the service. The option would also allow the service the commercial freedom required to generate increased levels of non-Council income.

This option is forecast to realise operating surpluses each year over the 5 year period. The viability of the option is however heavily predicated on the assumption that the service would realise savings through 80% mandatory National Non-Domestic Rate (NNDR) relief. Should the service not benefit from this saving, it is forecast to incur operating losses during the first two years post-establishment.

The option is forecast to realise cumulative surpluses that would be re-invested back into the core library service.

Joint venture with charitable status (=1st) - The majority of findings outlined above apply to the joint venture with charitable status option. The proposition for this option assumes the appointment of an external party to assume the role of commercial partner, providing the service with commercial expertise and leadership. This option is forecast to generate higher levels of income than the other non-joint venture options, given the commercial expertise and acumen that would be provided by the partner. The joint venture partner is assumed to claim a proportion of the surpluses generated by the service.

Although not assessed by the criteria developed to inform this study, it should be noted that the process of establishing a joint venture would be likely to require significant resources from both the Council and service.

Outsource - not-for-profit (3rd) - The benefits of this option include the delivery of the service by an existing and proven library service provider. An established market is developing, with numerous local authority library services now delivered by social enterprises or charities (i.e. Libraries Unlimited, Inspire Culture, Learning and Libraries, York Explore, Suffolk Libraries IPS and Greenwich Leisure Limited (GLL)). Until more is known about the provider, it is not possible to assess the role to be played by staff, volunteers, Friends Groups and community groups in influencing the strategic direction of the service. It is also not possible to confirm whether any surpluses would be re-invested in the service, or transferred to the provider's main operations.

Outsource - for-profit (4th) - The main risk associated with the appointment of a for-profit provider relates to the likelihood of any surpluses being extracted from the service. Several assessment criteria clearly demonstrate a strong preference (from the staff, elected members and community representatives) for the ADM to generate additional value through the re-investment of any surpluses.

In addition, there is also assumed to be limited potential for staff, volunteers, Friends Groups etc. to play a meaningful role in the model's strategic and operational decision making processes.

PSM - non-charity (5th) - This option is forecast to realise many of the benefits associated with the charitable PSM. However, given that the non-charitable PSM would not be in a position to claim NNDR relief, it is forecast to sustain significant operating losses in Yrs1 and 2.

This raises a wider issue in relation to the level of non-Council income currently being generated by the service, and the level of growth forecast within the service's growth strategy (see section 7.2).

The service currently generates 6.3% of income from non-Council sources, demonstrating the service's strong dependence on Council funding. The reasons for this dependence are explored within section 5.3. Our analysis indicates that these barriers for development have resulted in the service focussing on short term and local/small scale areas of service development. The contracts, grant funding agreements and partnership opportunities that would most likely lead to larger scale service development are not currently in place.

The gradual levels of future growth forecast by the service's leadership are not sufficient to offset the new costs associated with operating an independent organisation.

Joint venture - non-charity (6th) - Like the non-charitable PSM, the viability of this option is negatively impacted by not being in a position to realise NNDR relief. Operating losses are forecast to be incurred during Yrs1-3. Given the combination of new business costs, income growth starting from a low baseline and no NNDR relief being realised, the short term viability of the option is bought into question.

Remain in-house with re-engineering (7th) - Although this option is forecast to break-even each year, this situation would result in limited or no funds being made available for re-investment. The service is likely to remain dependent on Council funding, while many of the barriers to development that currently exist are expected to continue. The structure is also likely to limit the level to which staff, volunteers, Friends Groups and community organisation meaningfully influence the strategic direction of the service.

Strategic partnership (8th) - This option involves a neighbouring local authority assuming responsibility for the delivery of the Council's core library service. Although small underspends are forecast to be realised each year (mainly through economies of scale and removal of duplicated posts), these are unlikely to result in significant funds being made available for re-investment. The service's governance structure is unlikely to allow staff, volunteers etc. the ability to meaningfully influence the strategic direction of the service. While this option is feasible, it is considered to limit the potential development and sustainability of the service.

Local Authority Trading Company (LATC) (9th) - The LATC would be established via the Teckal exemption route, requiring the Council to own and control the organisation. This limits the potential for staff, volunteers and other stakeholders to meaningfully influence the service, while the close association between Council and LATC is not anticipated to allow the service the commercial freedom and autonomy required to effectively develop the commercial side of the service. The LATC is considered financially unviable, as it is forecast to sustain operating losses each year as growth in income levels do not cover the new costs associated with operating an independent organisation.

Recommendations - Informed by the findings from this appraisal, it is recommended that the Council and service consider undertaking the following:

- **Stage 1 - Further development of the options appraisal**
  - For the Council to work with the service's leadership team to review the growth strategy developed to inform this appraisal. The intention would be to jointly consider and address the barriers to development that have been identified, potentially resulting in the development of a more ambitious growth strategy. Should a further iteration of the growth strategy result in an increased level of income being forecast, the viability scoring of each option would be likely to improve;

- Undertake soft market testing to develop a stronger understanding of the market for outsourcing. Once additional information has been collected, revisit and update the scoring for both outsource options; and
- The Council and service should consider including assessment criteria to further test the feasibility of each option. No criteria relating to the complexity, timescales and cost of establishing each option are included within the options appraisal. The scoring of each option (and potentially the final ranking) is likely change should they be scored against such criteria.

Stage 2 - Differentiate between the two preferred options

- Due to the equal scoring of the PSM and joint venture charitable options, undertake a business case to develop a deeper understanding of the costs/benefits associated with each option. The in-house with re-engineering option should also be included, as it will act as the ‘public sector comparator’; and
- Compare the findings from this options appraisal with the conclusions drawn from the design and investigation of a more connected community offer.

2. Introduction

The process of deciding whether to establish a library service as an ADM is complex. What is right for one library service may not be right for another. Each library service faces a range of local challenges and expectations in relation to the particular needs of the local communities it serves, in addition to the national pressures being experienced across the sector.

Considering whether a service's current delivery model is the right one requires careful thought. The process enables the service and Council to identify the barriers to development and sustainability, and consider whether an ADM would enhance the service's ability to realise its full potential.

Undertaking an options appraisal does not start an irreversible process - investigating various ADM options may result in the service and Council concluding that the current in-house delivery model is the right one. But the process may signal that one or more ADM options warrant further investigation.

Mutual Ventures were appointed in January 2018 to support the Council and service to undertake an objective, robust and evidence based options appraisal. This support has been funded via the Mutual Interim Support Fund operated by the Department for Digital, Culture, Media and Sport (DCMS).

3. Project scope

3.1 In-scope services

The scope of this options appraisal was confirmed at the Council's Executive Board on 30th January 2018. The approach taken at this meeting requires the options appraisal to identify the preferred delivery model for a core library service made up of 10 libraries and 3 extended-access libraries. Details of the libraries included within the scope of this study are held in Appendix A.

The future delivery model for the remaining 14 libraries is considered as outside of the scope of this appraisal. One option is that they become community libraries. An important assessment criterion considered within the appraisal relates to the ability of each ADM option to deliver enabling support to 14 community libraries (see section 13.1).

The appraisal is not designed to support the Council and service to undertake service re-design work with a view to finding a way of operating all 27 libraries within the funding envelope of £3.2m, or identify an ADM option that could accommodate all 27 libraries in a sustainable way. The appraisal instead focusses on identifying the preferred delivery model from the options presented in this paper for the 'in-scope' core library provision.

3.2 Other areas of investigation running in parallel

In addition to undertaking this options appraisal, the Council and service are progressing with two other areas of investigation. These are as follows:

- Developing the concept of the community library service, which would span the 14 libraries considered out-of-scope of this appraisal; and
- Defining and costing an 'enabling support offer' that could be delivered by the core library service to the (out-of-scope) community libraries.

4. Approach

The development of this options appraisal has been informed by several important stages:

- Mutual Ventures facilitated a number of workshops with a range of stakeholders to develop the material used to inform this options appraisal:
    - Workshops with the service's leadership team to develop the vision and function for the core library service, as well as undertaking market analysis and developing a growth strategy to inform this study. The team also approved the assessment criteria, scoring mechanisms, weightings and longlist of options/propositions used to inform this appraisal;
    - Stakeholder engagement sessions (with service staff, elected members and community representatives) to explain the characteristics of the main ADM options and the remit of the options appraisal. Each group was also involved in the development of the assessment criteria, scoring mechanisms and weightings used to inform this appraisal; and
    - Meetings with a number of Council representatives to discuss and develop the outline Heads of Terms (see section 9) used to inform this appraisal.
- Mutual Ventures undertook the independent scoring of each option. Clear rationale has been provided for the scoring of each option.

5. The case for change

The service and Council have identified a strong case for change. This is informed by a range of external, financial and internal challenges:

5.1 External factors

- Council delivery of statutory requirements - The Council is required to deliver library services that (at least) meet statutory requirements. The level of funding available to deliver these requirements has reduced significantly in recent years;
- Changing customer expectations - Public library services face a challenging environment. Declining use of traditional book lending services, rapidly changing technologies, growing customer expectations for digital services and the continued reduction of budgets are all placing a significant strain on services; and
- Perception of library services - The service has identified the need to rebrand itself, with a view to challenging current held perceptions. Library services contribute towards a wide range of agendas and outcome areas, demonstrating that they are about more than 'books and buildings'. Working collaboratively with public bodies to deliver services that contribute to a range of outcome areas (e.g. reading and literacy, health and wellbeing, digital literacy, economic growth, culture and creativity etc.), the service is in a position to play an integral role in improving community outcomes and resilience.

  The service is required to develop new and meaningful strategic partnerships with a range of partners. Such partnerships would maximise the impact that the service has on the communities it serves. A partnership approach to designing services would help to reduce duplication, offer co-ordinated services across user pathways and outcome areas, and contribute to a 'whole system approach'. An additional challenge relates to the ability to collect information that demonstrates the social impact and value generated by the service.

5.2 Financial drivers

- Reductions in Council funding - Due to increasing constraints on financial resources, the Council needs to make significant budget savings in order to avoid a projected shortfall of £92m a year from 2017. Following the consultation on budget proposals at the end of 2016, a budget saving for the service was agreed by Full Council in February 2017.

  This proposal stated that the budget for the service would reduce by a total of £1.4m over 3 years from April 2017, thus reducing the service budget by c30%. A breakdown of how these savings are being implemented is provided below:

  - £300k reduction during 2017/18 (sustained by the service through a reduction in material costs - considered as a one-off measure);
  - £740k reduction in 2018/19; and
  - £360k reduction in 2019/20.

  Given these financial pressures, some level of change is required in the short term to ensure that the service does not realise an overspend. Change is also required to ensure the sustainability of the service in the medium and long term. The service's leadership team are keen to reverse the current trend of managed decline, while also reducing the impact of any future (currently unplanned) reductions in funding.

5.3 Internal drivers

Members of the service's leadership team have identified several barriers that currently restrict the development and sustainability of the service:

- An inability to plan for the long term - The absence of a Council library strategy and the annual reviews that have taken place since 2014 have resulted in the service not having a clear strategic direction. This partly explains the existence of the barriers outlined below. The cumulative impact of these barriers has resulted in an inability for the service to plan for the long term, resulting in restricted service and commercial development;
- Range of services offered - The annual reviews and ongoing uncertainty surrounding the service restricts its ability to develop a range of new and needs led services, including those developed in partnership with other agencies/public bodies. The ongoing uncertainty facing the service has restricted its ability to enter into meaningful discussions with partners and/or secure the required level of investment. When new service concepts are identified, it can often take time to gain authorisation to proceed, with this delay often meaning that the concept has lost momentum amongst staff and partner agencies.

  Where examples of partnership working exist, these tend to be on a small scale and local level, focussing on front line services as opposed to the development of strategic partnerships that would generate longer term impact and value;
- Capacity to grow and innovate - The service's leadership team has been heavily focussed on developing reports and service blueprints to inform the decision making process relating to the future of the service. This has significantly reduced the group's capacity to focus on service development;
- Access to external funding - The service's positioning within the Council limits its ability to access external sources of funding. In addition, the Council currently requires all grant applications to be authorised centrally;

- Lack of investment - As a result of the budgetary pressures facing the Council, there is currently insufficient budget to invest in premises, service development, staff training and the infrastructure required to deliver an innovative offer;
- A culture of 'managing decline' - When all of above factors are taken into account, they create a disincentive for the service to innovate. While there is a desire across the service's leadership team to plan for the future, the ongoing uncertainty and lack of funds available for investment has meant that the service has focussed on reducing the impact of funding reductions on front line services.
- Branding of service - The service's current alignment with the Council's corporate branding creates difficulties in effectively marketing the service. The service cannot establish a strong and recognisable independent brand. A bespoke website would benefit the service, geared to the needs of library users, Friends' Groups and businesses. The current website is located within the Council's website, restricting content, design and functionality;
- Ability to demonstrate social impact and social value - The service currently generates social impact and social value, although it does not collect this evidence in a meaningful way. This puts the service at a disadvantage when applying for funding or approaching partners. By developing a framework that captures, measures and demonstrates the social impact/value generated, the service would be in stronger position to attract funding and develop new partnerships. There is currently no additional funding or capacity to develop this important aspect of the service;

Salient issue - Irrespective of the delivery model assumed by the service, it would be beneficial for the Council to support the service to develop a social impact framework. Such evidence would significantly strengthen the service's ability to attract external funding, secure contracts, establish partnerships and diversify income streams.

- Issues associated with back-office infrastructure - The service's infrastructure (currently delivered by various Council departments) does not support the delivery of high quality library services. The service would benefit from investment in bespoke support that would realise efficiencies and enhance the ability to deliver new services. In addition, the majority of support services accessed by the service are paid for directly by the Council. As the Council holds the budget for these 'below the line costs', the service has limited flexibility and autonomy to procure alternative 'enabling' support services;
- Ability to promote effective engagement with Friends Groups, library users and community groups - Engaging with external stakeholders is currently limited to informal relationships and structures. External stakeholders have no formal ability to influence the service's strategic direction or intentions regarding service development.

6. Portfolio analysis

6.1 Process

The creation of a new delivery model offers the Council and service the opportunity to consider grouping related services together. York Explore (previously York City Council Library & Archive Service) established as a library and achieve PSM, while Inspire Culture, Learning and Libraries (previously Nottinghamshire County Council Library & Archive Service) delivers a range of library, cultural and adult learning services.

A high level exercise was undertaken with the service's leadership team to identify services that could potentially be included within the same ADM as the core library service. No formal approaches were made to any other services (or the Council) - the process was designed to consider at a conceptual level whether any obvious examples of service groupings exist.

6.2 Main findings

The Council has not formally considered whether other services could potentially be grouped with the core library service as part of a new delivery model.

The service's leadership team concluded that no additional services should be included within the scope of this options appraisal. Potential may however exist in the future to group the service with a number of other services, although a strong case for grouping services would need to exist (and be accepted by both the Council/services involved). A number of possibilities were identified, including:

- Adult education and community learning - Given the relatively recent disaggregation of these services, there appears little appetite for reversing the current arrangement. In the future a case may be developed to support the joining of the two services again - such a case may be based on similar service user bases, synergies associated with back-office support services and use of premises, the potential for joint branding and marketing of services and the obvious crossovers that exist in terms of promoting lifelong learning, supporting literacy, digital inclusion, access to employment and providing work and study settings;
- Museums - Although part of the council, the museum service operates a development trust that generates income and attracts donations. This has enabled the service to significantly reduce its dependence on Council funding. While no strategic appetite currently exists from the museum service to join with the library service (and vice versa), a future case could be developed based on similar service users bases and shared strategic objectives that relate to cultural activities and the joint delivery of local history resources. An alternative to grouping both services together could involve the establishment of a strong strategic/operational partnership in the future; and
- Archives - The Council's archives service is operated by the museum service. As obvious synergies exist between the functions of the library service and archives service, a case could be made to commence exploratory discussions with the Council and museum service to assess various forms of joint working.

Salient issue - Although no additional services have been identified for inclusion within the library service ADM, the service and Council may wish to consider undertaking a separate portfolio analysis at a later date. One of the assessment criteria used within this appraisal (D6, section 13.1) is designed to assess the ability of each option to allow for other services to transfer to the ADM in the future.

7. Market analysis

A high level analysis of the local, regional and national library sector has been undertaken to developed of a number of evidence based assumptions that inform this study.

7.1 Commissioner intentions

The Council - The Council's Corporate Strategy 2017-22 demonstrates a direction of travel that will significantly impact the way services are designed and delivered. The approach aims to promote, maintain and enhance people's independence in their communities. The Council intends to design access around the principles of prevention and early intervention and improved access channels.

The core library service considered in this options appraisal would be well positioned to support the Council's ambitions. Through a network of libraries, the service would operate via numerous community settings. Evidence from elsewhere demonstrates examples of library services working jointly with health and social care partners to promote health and wellbeing and support individuals in their communities.

The service is however required to develop an evidence base that demonstrates the positive social impact and social value generated in relation to the health and wellbeing agenda. Once this impact is collected, analysed and articulated, the service would be in a stronger position to attract new sources of funding, as well as enhancing the service's perceived value to commissioners and potential partners.

Clinical Commissioning Groups (CCGs) - CCGs operating across the West of England are increasingly working in partnership to deliver better health outcomes across the region. The Sustainability and Transformation Plan (STP) for Bristol, North Somerset and South Gloucestershire emphasises the need for a switch in focus from treating illness to keeping people well. Libraries already play an important role in supporting people's health and wellbeing - the STP identifies the intention for health services to improve their links with the voluntary sector, local charities and groups which empower people to take more responsibility for their health. This represents an opportunity for the service.

CCGs and other commissioners are increasingly moving towards a strategic commissioning model, involving the procurement of services across outcomes areas and/or service user pathways (as opposed to procuring individual services). This provides the service with the opportunity to collaborate with other partners, with a view to offering commissioners an integrated 'whole systems approach' to meeting need and improving outcomes.

The recent appointment of Tracey Crouch (Minister for Sport and Civil Society) as the new ministerial lead for loneliness highlights the importance of tackling loneliness and social isolation. Libraries continue to play an important role to play in helping to reduce loneliness, representing a potential opportunity for increased joint working with Public Health and the NHS.

West of England Combined Authority - The Combined Authority's strategy discussion paper places heavy emphasis on encouraging economic growth across the region. Several of the priority areas identified within the strategy paper align with the services to be delivered via the 'core and local offer':

- Businesses that succeed - Supporting businesses to start up, grow and flourish;
- World class skills for employment - Developing innovative ways to provide local people with appropriate support, information, advice and guidance to unlock their career potential and thrive in a modern economy; and

- Infrastructure fit for the future - Enabling employment space to provide opportunities that suit the needs of businesses at all stages.

The above represent an opportunity for the service. As well as developing new and innovative services, it is required to reposition itself and challenge the perception that libraries are about 'books and buildings'. The development of an innovative offer to support start up business, while also providing information, advice and guidance to local people looking to gain employment, would help the service to position itself as an important contributor to economic growth.

7.2 Traded income opportunities

The service currently generates c£347k in income per annum. This includes £91k in rental income, £35k in room hire (via 4 main locations - Central, Clifton, Bishopston and Junction 3) and £200k in library transaction income (fines and fees, which is considered as uncontrollable income), plus income from public printers and photocopiers.

The service's leadership team have identified several opportunities to potentially generate additional income:

7.2.1 Improve current service (current service, current market)

- Scale up and professionalise printing and photocopying services - Develop the existing service to ensure that it at least breaks-even (it currently realises an operating loss). While this is a service that is expected from libraries, the service needs to charge more to ensure that costs are met. Pricing would need to remain competitive, but scope has been identified for increasing charges for this service;
- Professionalise the office/meeting/event space offer - The proposal is to develop the service's current offer to that of a professional and competitive service. Several of the in-scope libraries are well located in terms of demand for meeting rooms etc., although the quality of accommodation is often not of the same standard as local alternatives. Significant costs would be incurred to improve the quality of the offer, while a professional booking service would need to be established and managed;
- Expand local studies services and digital local history collections - Should the service adopt a more commercial approach, the reasons for not previously expanding this existing provision could potentially be addressed (i.e. the requirement for investment). Current levels of revenue are low, although the potential for gradual expansion exists; and
- Improved marketing and access to current services - Should the service be in a position to invest more in marketing and promoting the service (e.g. via an independent website that provides enabling functions for customers), it is anticipated that the service would benefit from an increase in activity, with a positive impact to revenue generated from current traded services.

7.2.2 Market development (current service, new market)

- Delivering library services on behalf of neighbouring local authorities - Examples exist of local authority library services delivering services on behalf of other councils, or of PSMs delivering services across local authority boundaries (i.e. Libraries Unlimited delivering Torbay's library services from April 2018 onwards). Potential exists for the service to deliver services to neighbouring authorities. No indication has been given by any neighbouring authorities in terms of their intention to procure their library services from a third party;
- Development of premium traded services - Including the development and delivery of research services targeting further education colleges and start-up businesses; and

- Support for start-up businesses - It is accepted that this is a competitive market place. The service could offer start-up businesses meeting and office (hot desk) space, high quality Wi-Fi connection, printing and photocopying services, access to intellectual property databases, seminars and workshops etc.

7.2.3 Service development (new service, current market)

- Enabling support to community libraries (out-of-scope Council libraries) - The opportunity may exist for the core library service considered within this appraisal to deliver enabling support services to any community libraries. The nature of this support needs to be defined, while the Council is also required to confirm the level of funding to be made available to cover the costs of this service;
- Contract opportunities circulated by the Society of Chief Librarians (SCL) framework - The SCL framework provides details of contract opportunities that are potentially suitable for library services. The service doesn't currently bid for these opportunities due to the barriers identified in section 5.3. As an external organisation, the service would most likely focus on this framework as a way of developing services and new sources of income. As opportunities often require consortium bids, the framework also offers the service the opportunity to increase the level of joint working with partners; and
- Delivery of the Council's archive service (via the library service or in partnership with others) - As outlined in section 6. No financial benefits are assumed, the focus would instead be to improve the customer experience and raising the profile of both services. This closely aligns with the intention to expand local studies services and digital local history collections.

7.2.4 Market and service diversification (new service, new market)

- Consultancy offer around performance improvement and project management - The service could potentially develop a professional consultancy offer to assist library services to review/improve their performance and manage development projects. This is considered a competitive market, but should customers require consultants with experience of improving performance within a local authority context, or managing development projects, the service's leadership team and wider staff group could provide such support; and
- Service development funded by external investment - As an example, the Arts Council currently places a particular focus on supporting public libraries. They identify a clear, compelling and continuing need for publicly funded library services and work with the leaders of library services and other partners to shape how libraries will look in the future. Examples include Libraries Unlimited, Suffolk Libraries IPS and Inspire Culture, Learning and Libraries achieving Arts Council National Portfolio Organisation status in 2017.

Salient issue - The opportunities identified for service development and income generation require further consideration. A feasibility study for each identified area for service developed is required, to develop, cost (including capital funding requirements) and test each concept.

7.3 External grant funding

The service currently accesses, or has previously accessed, numerous sources of external grant funding. These include grants that relate mainly to developing local services, rather than larger scale funds that would assist the service to develop its organisational capabilities and relationships with a range of public partners (i.e. Arts Council National Portfolio Organisation programme – although this programme has now closed until 2021/12).

Examples of grant funding accessed by the service include:

- Big Lottery - Funding secured to develop Junction 3;

- British Library funding - To fund the local delivery of the ‘Writing Britain’ programme;
- Small amounts of grant funding to deliver library theatres, festivals, culture and literacy events and summer reading programmes; and
- Arts Council Designation Development Fund - To support the service to develop and promote collections, including a £96k grant for the arts to support the 400 year celebration of Book Hive.

7.4 Partnering opportunities

The service is not currently involved in any strategic partnerships with public or third sector organisations. The partnerships that do currently exist have an operational focus and tend to focus on a particular library or service line. Informed by the market analysis that indicates that commissioners across the public sector are seeking to commission collaborative models to deliver services across outcome areas and/or service user pathways, the service is required to undertake further work to identify and nurture new partnerships. A summary of current and potential partnership opportunities is provided below:

Existing partnerships (to be developed further)	Key partnerships to be established
• Libraries West. • University of Bristol. • University of the West of England. • Local Friends Groups. • Local schools. • Children’s Centres.	• Local Enterprise Partnership. • Arts Council. • Bristol Public Health. • Museum service and Adult Social Care. • Third sector organisations delivering H&W services. • Further Education providers (colleges). • CCG and health providers. • Local employers. • Small & medium sized enterprise networks (i.e. Festival of Ideas).

8. Function

8.1 Vision and mission

The core library service has developed the following vision for the future service:

Inspiration, information, knowledge and stories for everyone

The service's mission, which demonstrates how it would deliver its vision, includes the following elements that would underpin the delivery of the core and local offer:

- A sustainable network of libraries spread across the city;
- High quality library services including access to online services and local variations to reflect the needs and characteristics of individual communities;
- Customers supported by skilled and committed staff;
- Services that respond well to local community need;
- Enhancing our offer through volunteer opportunities;
- Increasing impact through partnerships and joint working; and
- Responsive to creative and innovative ideas.

8.2 Core and local offer

The services that would be delivered via the core library service are outlined within the diagram below (overleaf). It should be noted that the local offer for each library includes elements of all four sections of the core offer but in different balances, depending on community need and interest in the neighbourhood served by that library. These services would be defined through discussions with community representatives, including representatives from Friends Groups and other community organisations.

Future Library Service - Core and Local Offer

EDUCATION	SOCIAL	CULTURAL	ECONOMIC
What? • **Supporting literacy** • **Digital inclusion and literacy** • **Lifelong learning** • **Learning for early years and school age**	What? • **Tackling social isolation by providing quality, welcoming community space and connecting citizens** • **Supporting health and wellbeing**	What? • **Promoting literature** • **Creative spaces** • **Local history resource** • **Cultural activities designed for local interest (e.g. cultural diversity/identity)**	What? • **Access to employment** • **Providing a work and study setting** • **Digital access**
How? • Access to books for loan in a variety of formats and languages to meet diverse customer needs and literacy levels • Access to national library networks • Access to digital services through free public computers • Reading development work for children	*How?* • Access to community information to support Bristol residents being active citizens • Community space for hire • Changes to design and layout of libraries • Closer links with voluntary and community partners • Promoting health and wellbeing e.g. books on prescription • Volunteer opportunities	How? • Promotions and events • Resources linked to local community • Author events • Signposting to other cultural events in the city • Library as a cultural venue • Volunteer opportunities	How? • Access to information on public sector and partner services • ICT support • Flexible space for work / study
24/7 digital access to the library network (Libraries West) and all resources			
Facilitated by access to helpful and knowledgeable staff with excellent community skills			

8.3 Service development and growth strategy

The core and local offer demonstrates how the core library service would surpass the Council's statutory duties as specified within the Public Libraries and Museums Act 1964.

The core library service intends to deliver additional services via a range of traded, contract and grant funded services. Informed by the themes and findings from the market analysis exercise (section 7), the service's leadership team have developed a growth strategy that if successfully implemented would lead increased levels of income being generated across an increasingly diversified portfolio of services.

As the options appraisal represents an early stage in the investigation process, further work is required to develop each of these potential areas for growth. As a result, the growth strategy is indicative and requires further development during the next stages of the investigation process.

8.3.1 Areas for development and likely levels of growth

As outlined in section 5.3, the service does not currently possess the leadership capacity or commercial capabilities to undertake significant business development activity. To ensure the successful implementation of an ambitious growth strategy, the service would most likely be required to appoint a Commercial Manager who would assume day to day responsibility for generating new sources of income.

The other barriers to development identified in section 5.3 also require consideration. Should it be decided that the service remains in-house, the uncertainty regarding its future would reduce, potentially allowing longer term decisions to be made. This may enable a degree of service development, although several issues are likely to persist. Timely decision making to support commercial development is unlikely to emerge in the short term, while access to certain forms of external funding would continue to be restricted. The service's ability to develop an independent brand and website, improvements that would increase awareness and reach, is likely to remain restricted. In addition, the ability of the service to establish meaningful strategic partnerships is likely to continue to be limited.

Timely decision making to support commercial development is unlikely to emerge in the short term, while access to certain forms of external funding would continue to be restricted. The service's ability to develop an independent brand and website, improvements that would increase awareness and reach, is likely to remain restricted. In addition, the ability of the service to establish meaningful strategic partnerships is likely to continue to be limited.

Several areas for service development can however take place should the service remain within the Council. This assumes that the service is given a degree of autonomy and commercial flexibility, allowing it to decide how best to allocate resources and whether to progress with identified areas of service development. It also assumes that the service is in a position to decide how best to spend the budget agreed with the Council - the service would focus primarily on delivering the services that the Council considers a priority, while being afforded a degree of flexibility and autonomy to develop needs led services either directly or in partnership with other public/third sector agencies.

While the establishment of an ADM should not be seen as a panacea, the incentives that would drive the service would be different. As a socially focussed business, the onus would be on the service to deliver an efficient and effective service (with performance being monitored by the Council via contract management processes). The service would also be incentivised to innovate and generate new sources of income in order to generate surpluses for re-investment.

An external model is likely to possess greater levels of autonomy and commercial freedom, potentially resulting in a more dynamic and (socially focussed) entrepreneurial culture emerging.

8.3.2 Timescales for service development and growth

It should be noted that evidence from other library ADMs strongly indicates that the focus of the 12 months post-externalisation is on ensuring service continuity and a successful transition to independent status. Limited scope or capacity usually exists to develop new services. Newly externalised services often pilot new and innovative ideas during year 1, with a view to scaling these up in future years should they prove successful. Year 1 is often used to establish relationships with a range of external partners, with a view to progressing with joint working from years 2-3 onwards.

The service's proposed growth strategy is outlined below:

Area for development	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24
Scale up and professionalise printing and photocopying					
Professionalise the office/meeting/event space offer		Pilot			
Expand local studies services and digital local history collections					
Improved marketing and access to current services					
Delivering library services on behalf of neighbouring local authorities					
Development of premium traded services		Pilot			
Support for start-up businesses			Pilot		
Enabling support to community libraries					
Contract opportunities circulated via SCL procurement framework					
Delivery of the Council's archives service (in partnership or via an ADM)					
Consultancy offer around performance improvement and project management					
Service development funded by external investment (contracts/external grant funding/donations)					

8.4 Efficiency and value for money

Given the level of funding reductions the service has experienced to date, the service is generally considered to be as efficient and lean as it can be.

Opportunities to realise efficiencies and increased productivity should the service be afforded a greater level of decision making autonomy and commercial freedom have however been identified. These relate mainly to the service being externalised, as the leadership team state that only via an external model would the service gain the control and autonomy to implement such changes.

The following areas for potential savings have been identified:

- Back-office support services - The Council currently delivers the vast majority of the service's back-office requirements. It also holds the 'below the line budget' for these services. Should the service be in a position to procure some or all of its back-office support services from the market, it could potentially realise a significant saving, while at the same time receiving bespoke support services that enable the service to deliver current and new services.

  One example relates to the ICT services currently delivered by the Council; these are considered to be generic, with the same ICT support being delivered to other Council departments. As a result, the ICT services received do not reflect the specific business needs of the service. Should the service be in a position to develop a specification and procure bespoke ICT support, this is anticipated to increase accessibility, demand and functionality. Productivity would also be likely to increase, as staff spend less time following work-arounds etc.; and

- NNDR - Should the service be delivered via a charity, it would be entitled to 80% mandatory rate relief, with the potential to access an additional 20% discretionary relief. While this would represent a saving to the service, this arrangement may result in a financial loss to the Council as the rate collecting authority.

The following areas of potentially increased productivity have been identified:

- Improved marketing and branding - Should the service be in a position to increase investment in marketing activities, the likely benefit would be increased demand for free and paid for services as activity levels across libraries increases;
- Timely recruitment - Should the service be in a position to recruit in a timely way, new appointments could be in place to address emerging trends and unmet need. The current recruitment process is considered to be time consuming and resource intensive. An alternative approach to recruitment would potentially enable the service to respond more effectively to trends and commercial opportunities;
- Alternative terms and conditions for new staff - Should the service be delivered via an external delivery model, the opportunity exists to offer new joiners alternative terms and conditions to existing staff. Savings could potentially be realised in relation to pensions, should the new external model operate a closed Local Government Pension Scheme to existing staff and an alternative scheme for new joiners; and
- Strengthening the performance management process - Potential exists to establish a new staff appraisal process that emphasises the service's vision, mission and values. Staff could be incentivised to identify was of improving the quality and/or efficiency of the service, while also being encouraged to develop concepts into new services that realise a social impact or a financial return.

9. Outline Heads of Terms

9.1 Overview

To ensure that the options appraisal is robust and evidenced based, an understanding of the nature of the arrangement that would exist between any externalised delivery model and Council is required.

The options appraisal represents an early stage assessment - as such an indicative position has been sought from the Council on all aspects of the arrangement. It is accepted that these positions may change over time due to changes in circumstance or project context.

Outline Heads of Terms have been developed to demonstrate the nature of the proposed contractual and risk sharing arrangements that would be in place between the Council and an external delivery model. These terms have been developed in partnership with a range of the Council's corporate representatives, including Premises, Finance, Procurement, HR & Pensions and back-office support.

The nature of the agreement that would exist between the Council and external delivery model is an essential consideration; should the terms result in too much risk and liability transferring to the new model, the new entity is at risk of being 'set up to fail'.

Given that 'remaining in-house with re-engineering' is also an option, it is assumed that the current accountability, decision making, operational and line management arrangements would remain in place for this option.

9.2 Outline Heads of Terms

9.2.1 Payment profile

All options except strategic partnership - It is assumed that a contract would be in place between the Council and external model. The terms of the contract would require the Council to make quarterly payments in advance. This would assist the cash flow of the new organisation.

9.2.2 Responsibility for redundancy liabilities accrued up to the point of establishment, and once contract has commenced

All options except strategic partnership - It is assumed that the service would reach its target (staffing) operating model prior to the establishment of any external model. As such, the Council would incur the costs of re-organising the staffing structure.

The proposal is for all redundancy liabilities associated with remaining in-scope staff to transfer to the new organisation.

Strategic partnership option - It is assumed that the Council would retain responsibility for all redundancy liabilities associated within in-scope staff. Service staff would continue to be Council employees.

9.2.3 Responsibility for pension deficit liabilities accrued up to the point of establishment, and during contract

All options except strategic partnership - It is assumed that the LGPS operated by the new model (as an admitted body) would be 'closed'. As a closed scheme limits the risks associated with the value of any future pension deficit, it is assumed that the Council would provide an indemnity, meaning that the new model would not be required to procure a bond.

All accrued/historic pension deficits would transfer to new model (the LGPS is currently at or near to break-even, so the actual risk involved at this stage is considered to be low). The new model would

also assume responsibility for all future pension deficit liabilities accrued up to the end of the contract.

Strategic partnership option - It is assumed that the Council would retain all existing pension deficit liabilities, and would be responsible for all deficits accrued over the duration of the agreement. All in-scope staff would remain members of the LGPS.

9.2.4 Council owned premises - nature of agreement

All options except strategic partnership - A lease between the Council and new model would exist, co-terminus with the service contract.

Strategic partnership option - An agreement would be in place between both parties in relation to the terms of library use, opening hours etc.

9.2.5 Non-Council owned premises - nature of agreement

All options except strategic partnership - Leases would be assigned or sub-let to the new model.

Salient issue - Information received to date indicates that no alienation clauses exist for in-scope premises, although some properties can only be assigned as a whole (as opposed to in part). Consent to assign is required for some properties. Due to perceived covenant weakness, any application for consent to assign/sub-let is expected to be withheld.

Strategic partnership option - Continuation of the current agreement between the Council and the third party owners of the premises.

9.2.6 Council premises - arrangements in relation to property maintenance responsibilities for Council owned buildings

All options except strategic partnership - From a Council perspective, the leases would ideally be full repairing, but given underinvestment issues this is considered unrealistic unless pegged to detailed schedule of condition or the Council carrying out pre-agreed level of capital investment for which there is no provision in the Council's capital programme. As such it has been assumed that the leases would require the Council to be responsible for structural repairs.

The budget that currently covers ongoing (non-structural) repairs and maintenance would continue to be held by the Council and used on an as-and-when basis.

As the owner of the premises, the Council would provide buildings insurance. The assumed position is for property to be left in no worse state at end of contract, as evidenced by a pre-agreed schedule of condition.

The assumed position is informed by several factors:

- Several Council buildings have experienced underinvestment, and would require investment to ensure buildings are up to standard prior to any lease commencing. It is assumed that a minimum standard would cover all statutory compliance;
- The current arrangement whereby the Council allocates an annual amount to cover the costs of (non-structural) property maintenance would continue, with this budget being held by the Council. Given the financial pressured faced by the Council, it is accepted that this level of funding may be below the £176k per annum currently ring-fenced for this purpose. It is however assumed that the costs of non-structural property maintenance would be fully funded by the Council, with the new model not incurring any new costs; and
- BCC currently covers the cost of essential structural repairs.

Strategic partnership option - The maintenance and upkeep of Council and non-Council buildings remains the responsibility of the Council.

9.2.7 Ability of new model to access BCC capital funding

The new model would be in a position to apply for Council capital funding, in relation to any investment required that relates to Council owned premises.

9.2.8 NNDR

Charitable PSM, joint venture and outsourcing options - The new model would be in a position to benefit from NNDR savings (80% mandatory), and possibly the 20% discretionary relief. It is assumed that should the new model achieve this saving, the Council does not intend to reduce the contract value by the same level.

9.2.9 Nature of transfer of all assets required to operate service (e.g. book stock, ICT infrastructure, equipment, furniture) etc.

All options except strategic partnership - Assets would be leased by the Council to new model. Assumption is that the new model would repair and replace assets, with assets being returned in no worse state at the end of the contract.

Strategic partnership option - Continue as per current arrangement.

9.2.10 Back-office support services - assumed value of budget

All options - A review of Council back-office support services is currently being undertaken. It is anticipated that the value of back-office support delivered to the service will reduce as a result of the review, as the value of services will be more accurately calculated, moving away from sqr/ft or headcount calculation.

Irrespective of the above, the assumption is that the new model's back-office support requirements would be fully funded by the Council.

9.2.11 Back-office support services - anticipated positioning of the 'below the line' budget used to fund support services delivered to the service

All options except strategic partnership - A transition period of two years is assumed, during which time the below the line budget would remain with the Council. The new model would be required to buy-back back-office support services from the Council during this period.

From year 3 onwards, it is assumed that the new model able to procure some or all back-office support services from the open market. The opportunity to buy such services back from the Council would remain.

The only exception relates to ICT support. Discussions with the Council's ICT representatives indicate that ICT would support the new model to procure bespoke and enabling ICT support. The Council would cover the cost of these ICT services on an ongoing basis, funded via the below the line budget for ICT. This arrangement would commence at the start of the contract.

Strategic partnership option - The model would continue to access the Council's back-office support services for the duration of the partnership agreement.

9.2.12 Back-office support services - likelihood of Council staff delivering back-office support services to the library service transferring to the new model

All options - No Council back-office staff are part of a relevant organised group that delivers back-office support services to the service. Tasks are spread across a team, with no one individual allocated to the library service. Should the new model procure back-office support services from the market, it is therefore assumed that there would be no TUPE of Council back-office staff to the new model.

10. Options and propositions

10.1 Longlist of options

Informed by evidence of ADMs established across the library sector, the following longlist of ADM options was developed by the service's leadership team. These options were also discussed with those who attended each of the stakeholder engagement sessions (staff, elected members and Friends Group representatives):

- Remain in-house with re-engineering;
- Strategic partnership with a neighbouring council;
- LATC (Teckal);
- PSM ((a) non-charity and (b) charity);
- Outsourcing ((a) not-for-profit and (b) for-profit); and
- Joint venture ((a) non-charity and (b) charity).

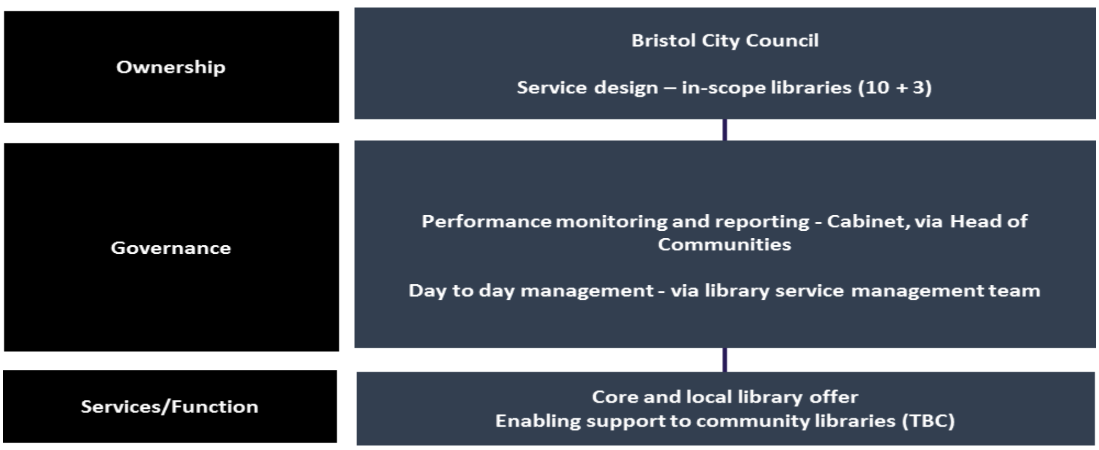
10.2 Propositions

The intention is to develop each option into a proposition. This process allows for an objective analysis to take place, as each option is developed into a tangible proposition (rather than a generic concept) that can be tested thoroughly via the application of the assessment criteria.

Propositions for each of the options were developed in consultation with the service's leadership team.

10.2.1 Option 1 - Remain in-house with re-engineering

Option 1 involves the re-engineering of the core library service. The service would remain positioned within the Council, with the Council directly delivering the in-house service that consists of 10 + 3 libraries. The service would be required to focus on the delivery of the core and local offer, as well as delivering enabling support to community libraries.



Governance arrangements - Current governance, reporting and accountability arrangements would remain in place. The core library service would be required to develop an annual service delivery plan to demonstrate how it would achieve the objectives agreed with the Council. Performance reporting arrangements would remain in place. The Portfolio Holder would remain accountable for the statutory elements of the library service.

10.3 Option 2 - Strategic partnership with a neighbouring authority

Option 2 involves the transferring of delivery responsibilities for the core and local offer to a neighbouring authority. It is assumed that the Council has not approached any neighbouring authorities with a view to discussing this option. The appetite and readiness of any local authority to assume responsibility for the service is therefore unknown.

Procurement route - Should a local authority express an interest in delivering the service on behalf of the Council, it is not assumed that a procurement exercise would take place. The respective parties would instead agree a specification and partnership/shared service arrangement.

Ownership and governance - The Council would retain ownership of the assets and liabilities associated with the service. The neighbouring authority would use the assets to deliver the service on behalf of the Council.

Contract management arrangements - A partnership or shared service arrangement would be in place between the Council and neighbouring authority. This would be informed by an annual service plan, with the Council meeting with representatives from the neighbouring authority to review performance levels etc.

Commercial freedom and flexibility - The service would continue to be delivered by a local authority. The same technical constraints would therefore exist (i.e. the inability to trade for a profit). Some income growth may however be possible, should those overseeing the service have the required level of commercial acumen and entrepreneurial culture.

Transfer of staff - In-scope staff would remain employees of the Council.

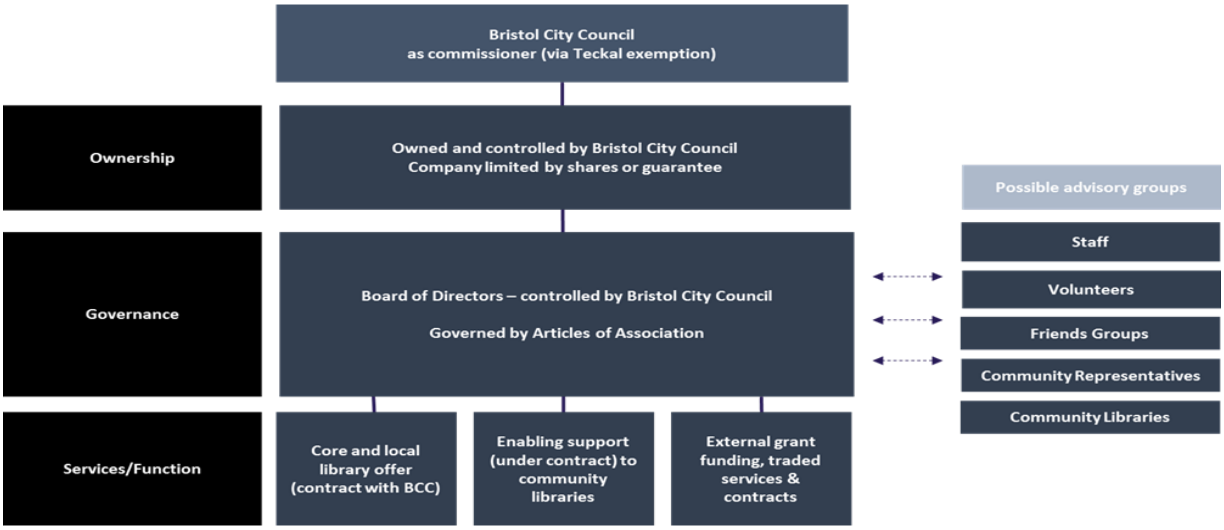
Transfer of pension arrangements (Admitted Body status etc.) - As in-scope staff would remain employees of the Council, there would be no changes to their terms and conditions, meaning that their pension status would not be affected. All members of the LGPS would continue with their membership.

Link to community libraries - As part of the partnership/shared services agreement, the neighbouring authority would be required to oversee the delivery of enabling support to community libraries.

Use of underspends - It is assumed that agreement would be reached between the Council and neighbouring authority in terms of how underspends would be treated. To incentivise the neighbouring authority to assume responsibility for the service, some type of sharing of underspend may be expected.

10.4 Option 3 - LATC

Option 3 involves the creation of a LATC that would deliver core and local library services on behalf of the Council:



Procurement route - It is assumed that the LATC would be directly awarded the contract by the Council under the Teckal exemption. The service would transfer to the LATC, including staff, assets (via a lease), contracts and agreed levels of liabilities. The LATC would hold a contract with the Council to deliver core and local library services.

Ownership and governance - The Teckal exemption requires the Council to demonstrate the same level of control over the entity as it would for any Council department - referred to as the 'control test'. This would require the LATC's board of directors to be controlled by the Council, reducing the potential for ownership and meaningful influence by other stakeholders (e.g. staff, Friends' Groups, community groups or independents). The service's leadership team would manage day to day services on behalf of the board. The Portfolio Holder would remain ultimately accountable for the statutory elements of the service.

While LATCs offer the ability for two or more councils to own the new entity, it is assumed for the purposes of this options appraisal that the Council is the only local authority intending to establish, own and control the LATC.

Contract management arrangements - A contract and service specification would be in place between the Council and the LATC, covering the LATC's responsibilities associated with the delivery of the core and local offer.

Commercial freedom and flexibility - The LATC would be subject to a 'function test', in line with Teckal exemption requirements. As such, the LATC is limited in how much income it can generate outside of services delivered back to the Council - this limit is set at 20% to the LATC's total revenue.

Transfer of staff - 'In-scope' employees of the service would transfer to the LATC with their employment conditions protected by TUPE.

Transfer of pension arrangements (Admitted Body status, Teachers' Pensions schemes etc.) - Although not dealt with under the TUPE Regulations, there is a statutory requirement in the UK (issued under the Local Government Act 2003) which provides both that transferring employees accrued pension benefits are protected and that they are given access to a scheme that is, at a minimum, 'broadly comparable' to the pension rights they had as council staff. The LATC would be in a position to apply for Admitted Body Status, enabling members of the LGPS to continue with their pension arrangements. Should the LATC not be in a position to secure Admitted Body Status, a 'broadly comparable' schedule would need to be offered.

The new LATC is expected to meet the additional cost of staff remaining within these pensions schemes (for example a potential increase in the Employer Pension Contribution at any point after establishment)

Link to community libraries - As part of the contract, the LATC would be required to oversee the delivery of enabling support to community libraries.

Status - The LATC could benefit from social enterprise status, should the organisation be considered a 'business with primarily social objectives whose surpluses are principally re-invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners'.

It is unlikely that a LATC would be in a position to achieve charitable status, given that the organisation would be owned and controlled by a public body (i.e. the Council).

Use of surpluses - It is assumed that 25% of any surpluses generated by the LATC would be returned to the Council (in the form of dividends or service charges), while 75% of any surpluses would be re-invested into the delivering of services or building the LATC's reserves. The LATC would be required to pay corporation tax and VAT.

10.5 Option 4 - PSM (4a - non-charitable PSM, 4b - charitable PSM)

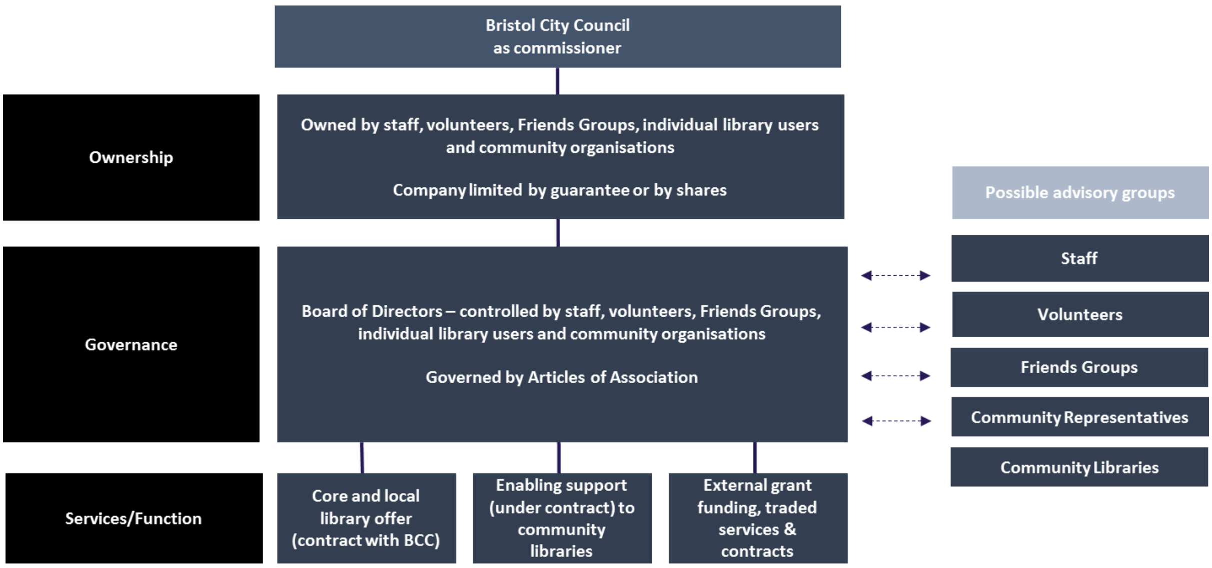
Option 4 involves the creation of a PSM owned and controlled by staff, volunteers, Friends Groups (associated with the in-scope libraries), individual library users and community organisations.

Two variations are considered for this option:

- A not-for-profit PSM that is not a charity; and
- A not-for-profit PSM that has charitable status.

Procurement route - PSMs are typically established by a staff group 'spinning out' of the local authority. This requires the support of elected members and Council commissioners, as well as broad support from library staff and Friends' Groups.

Local authorities can make use of a number of procurement routes: from the Council directly awarding the contract to the PSM, through to undertaking a public procurement exercise.



For the purpose of this exercise, it is assumed that the Council perceives there to be a market for the delivery of library services. As such, the Council may undertake a procurement exercise to identify the suitable provider. The staff group would be in a position to bid for this contract, but would first be required to develop a business plan that would be used to inform their proposal.

Should the staff group be successful, they would establish the PSM and transfer staff, assets and liabilities etc. to the new entity. A contract and service specification would be in place between the Council and PSM, as per the documents used to inform the procurement process.

Should the staff group be awarded the contract via a 'Reserve Contract' arrangement, the Council would be required to undertake an open procurement process within 3 years.

Ownership - It is assumed that the PSM would be owned by staff, volunteers, Friends Groups (associated with the in-scope libraries), individual library users and community organisations. As per the DCMS definition of a PSM, staff would be required to assume a significant level of ownership and/or control over the new entity. It has been assumed that staff would own and control 51% of the PSM, although the level of staff ownership required to qualify as a PSM is actually lower.

Governance - The PSM would be governed by a Memorandum of Association and Articles of Association. The board of directors would most likely reflect the ownership of the PSM, although the Council and other stakeholders could also be represented on the board. The Portfolio Holder for would remain ultimately accountable for the statutory elements of the library service.

The proposed governance structure offers the PSM the opportunity to bring in additional expertise through the appointment of non-executive directors. PSMs regularly appoint non-executives to provide expertise in particular areas, including commercial development, accounting, legal, marketing and finance etc.

PSMs often establish a range of sub-committees that focus on financial management and audit, commercial development, HR and remuneration etc. These committees feed directly into the board and provide additional capacity and focus on strategically important areas of the business.

Contract management arrangements - The PSM would hold a contract with the Council, often referred to as the 'core contract'. The contact would be subject to monitoring and service planning arrangements, involving the Council regularly assessing the performance of the PSM and agreeing priorities for the coming year.

Commercial freedom and flexibility - PSMs have significant commercial freedoms and flexibility to deliver differently. As staff would play an important role within the new entity, they (along with community stakeholders) are well placed to influence the PSM's strategic direction and the type of services delivered. Staff and communities can play an important role in shaping services to reflect local needs, piloting innovative services through the re-investment of any surpluses generated by the PSM.

Transfer of staff - Same as for LATC.

Transfer of pension arrangements (Admitted Body status, Teachers' Pensions schemes etc.) - Same as for LATC.

Link to community libraries - As part of the contract, the PSM would be required to oversee the delivery of enabling support to community libraries.

Status - The PSM may be in a position to achieve social enterprise or charitable status. Other library service spin-outs (including Libraries Unlimited) have achieved charitable status, enabling them to benefit from a trusted 'brand', access to external funding opportunities ring-fenced for charities and not being required to pay corporation tax on charitable earnings. Charities are also able to claim NNDR and receive donations.

Salient issue - There is a [clearly defined process of applying for charitable status](). To achieve charitable status, the Charity Commission needs to be satisfied that the organisation [meets the legal tests for charitable status, is required to register as a charity and should be monitored after registration](). While other library PSMs have achieved charitable status, there remains the risk that any applicant may fail the application process.

Salient issue - The level of staff ownership and control may determine whether the PSM achieves charitable status. For the charitable PSM and joint venture options, it may need to be reduced below the assumed level of 51/50% in order to achieve charitable status. The service should seek expert legal advice on this issue should they wish to further investigate either option.

Use of surpluses - As an independent entity, the PSM is in a position to decide how it uses any surpluses. Options include investment in new services or assets, or channelling funds into a reserve account. The use of any surpluses may be limited by the PSM's status, should it operate as a social enterprise or charity. Like any company, PSMs are required to pay corporation tax and VAT (unless they are registered charities). As staff, volunteers, Friends Groups etc. are assumed to hold majority ownership and control, they would be well placed to influence how any surpluses are re-invested.

Salient issue - Should the PSM be identified by the Council and service as the preferred option, the Council is required to consider whether a procurement exercise is required. We have assumed for the purposes of this options appraisal that an established market exists, resulting in an increased risk of legal change should the Council directly award the contract to the PSM/staff group.

Should a procurement exercise be undertaken, the likelihood of the staff group being awarded the contract would depend on the quality of their business plan and proposal. Should an alternative not-for-profit provider be appointed instead of the staff group, this option in essence becomes option 5 (outsource to an existing not-for-profit provider).

10.6 Option 5 - Outsource (5a - not-for-profit provider, 5b - for-profit provider)

Option 5 involves the procurement of a provider to deliver the Council's core and local library service:

Two variations are considered for this option:

- A not-for-profit provider; and
- A for-profit provider.

Procurement route - This option requires the Council to undertake a public procurement exercise.

Ownership - The appointed provider would be owned and controlled as per their organisation's ownership and governance arrangements. Until the preferred provider is known, it is not possible to conclude whether service staff, Friends' Group and other stakeholders would be a position to assume some level of ownership or control to meaningfully influence the service.

Contract management arrangements - The appointed provider would hold a contract with the Council. This contact would be subject to monitoring and service planning arrangements, involving the Council regularly assessing performance and agreeing priorities for the coming year. The Portfolio Holder for would remain ultimately accountable for the statutory elements of the library service.

Commercial freedom and flexibility - The appointed provider would be required to deliver the Council's requirements, as outlined within the contractual agreement and service specification. The provider may also be in a position to develop additional services (e.g. over and above the services identified within the service specification), particularly if the provider has proven service development/revenue generation experience and expertise.

Transfer of staff - Same as for LATC and PSM.

Transfer of pension arrangements (Admitted Body status, Teachers' Pensions schemes etc.) - Same as for LATC and PSM.

Link to community libraries - As part of the contract, the appointed provider would be required to oversee the delivery of enabling support to community libraries. The council may wish to influence how the outsourced service prices these enabling support services.

Back-office arrangements - The outline Heads of Terms state that the Council intends to deliver back-office support to the service for a period of two years. As the appointed outsourced provider would most likely be an existing library service provider (i.e. GLL or Libraries Unlimited etc.), it is likely that they would have their own back-office provision in place. The Council's proposed arrangement may make the opportunity less attractive to such providers, as their ability to realise back-office efficiencies would be reduced. In addition, the Council's proposal to hold the 'below the line budget' for back-office support services would further restrict the ability of the appointment provider to realise efficiencies and flexibly allocate resources. Although this arrangement would end two years after appointment, this may result in the opportunity being considered as less attractive to the market.

Status - It is assumed that option 5a would involve the appointment of an existing social enterprise or charity to deliver the contract, while option 5b would involve a for-profit organisation.

Use of surpluses - It is logical to assume that one of the reasons for bidding for the contract is that there is a commercial incentive associate with securing the opportunity (although other non-commercial incentives may also be identified).

Should a **not-for-profit provider** secure the contract, surpluses cannot be distributed for private gain (NB. the exception would be a Community Interest Company, which can distribute up to c30% of surpluses as dividends). How surpluses would be used does however remain unclear – a not-for-profit provider would not be obliged to re-invest surpluses into the Council's library service without the Council requiring some level of re-investment as stated within the contract). It may instead transfer these surpluses to the main company and use for not-for-profit purposes elsewhere.

Should a **for-profit provider** be appointed, the expectation is that all profits generated via the service would be kept by the provider, thus limiting the level of funding that would be re-invested into the service.

For both options, should the Council require the provider to invest some or all surpluses into the Bristol library service, this may act as a disincentive to bid for the opportunity.

10.7 Option 6 - Joint venture (6a - non-charitable provider, 6b - charitable provider)

For the purposes of the options appraisal, it is assumed that the Council and service wish to consider procure a third party with commercial expertise to join a joint venture. The joint venture partner would be considered as a 'commercial partner'.

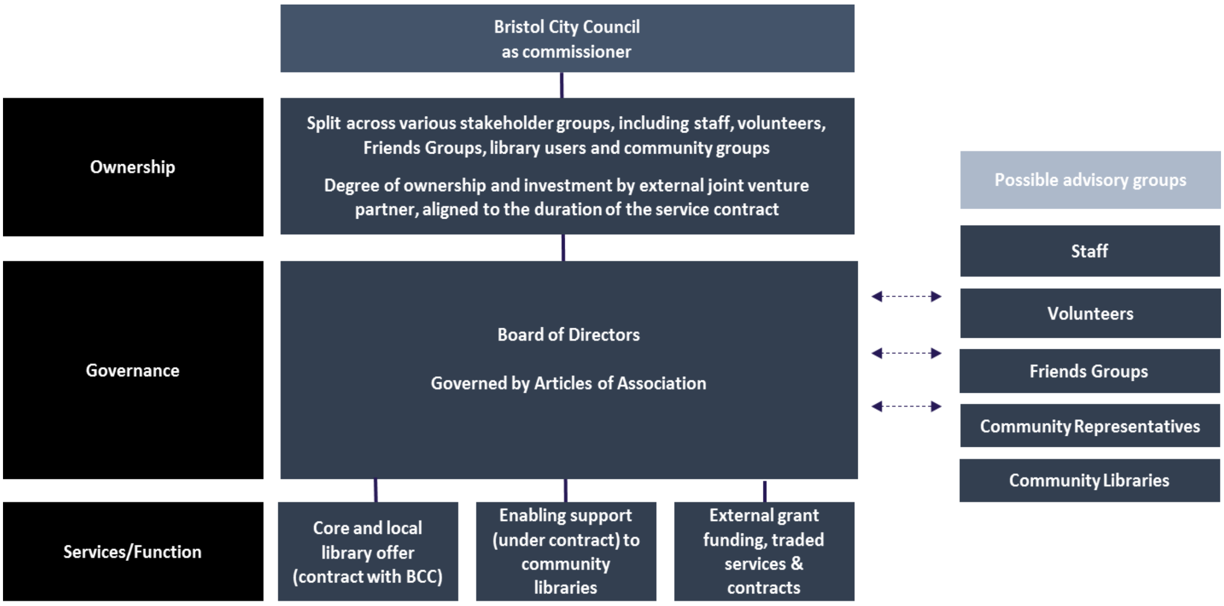
A new entity would be established to create the joint venture. The commercial partner would jointly own the joint venture with the staff group and relevant external stakeholders (e.g. volunteers and Friends' Groups).

The propositions assumes that joint venture may take two forms - with or without charitable status.

Procurement route - This option requires the Council to undertake a procurement exercise to identify an appropriate 'commercial partner'.

Ownership - The proposition assumes that the joint venture would be owned as follows:

- 50% owned by service staff;
- 25% owned by volunteers, Friends' Groups and community organisations; and
- 25% owned by the commercial partner.



Contract management arrangements - The joint venture would hold a contract with the Council. This contact would be subject to monitoring and service planning arrangements, involving the Council regularly assessing the performance of the provider and agreeing priorities for the coming year. The Portfolio Holder for would remain ultimately accountable for the statutory elements of the library service.

Commercial freedom and flexibility - The joint venture would be required to deliver the Council's requirements, as outlined within the contractual agreement and service specification. Outside of these requirements, the joint venture would be in a position to develop new service lines, making use of the commercial partner's expertise.

Transfer of staff - Same as for LATC, PSM and outsource.

Transfer of Pension arrangements (Admitted Body status, Teachers' Pensions schemes etc.) - Same as for LATC, PSM and outsource.

Link to community libraries - As part of the contract, the joint venture would be required to oversee the delivery of enabling support to community libraries.

Back-office arrangements - As with the outsource option, the commercial partner may be an existing provider with their own back-office support systems. The Council's requirement for the new model to access their back-office support systems for a period of two years may reduce the attractiveness of the opportunity for some providers.

Status - The joint venture may be in a position to achieve social enterprise or charitable status, assuming that the model aligns with requirements. The status of the commercial partner may have a bearing on whether an application to become a charity is successful or not.

Use of surpluses - A profit share arrangement is assumed for the joint venture, aligning with the proposed ownership structure. As such, staff and Friends' Groups/community organisations would have access to 75% of any surpluses realised by the joint venture. These funds can be re-invested in services or allocated to reserves. The use of the remaining 25% of any surpluses would be determined by the joint venture partner. As per the outsourcing option, the potential exists for the joint venture partner to transfer this surplus from the service as either a call on surpluses or a management charge.

11. Financial modelling

Informed by the propositions (section 10), outline Heads of Terms (section 9.2) and the growth and efficiency strategy (section 7), a high level financial differences model has been developed for each option.

The financial baseline has been provided by the service. A detailed budget for the first year of the new operating model (10 + 3 libraries) informs each model, reflecting the reduced level of funding to be received from the Council. The baseline budget indicates a break-even financial performance for the service and assumes that the service remains within the Council (i.e. option 1 - remain in-house with re-engineering).

To calculate the anticipated financial performance of each option, specific assumptions have been applied - these assumptions are in addition to those identified within the outline Heads of Terms.

11.1 Overarching assumption

The following overarching assumptions apply to each option:

- Given that the proposal being considered within this options appraisal is to operate a core library service that includes 10 + 3 of the current 27 libraries, the financial forecasts used within this model reflect the reduced income generating potential associated with the service;
- Given that the LGPS pension fund is currently at or around break-even, no addition cost to the external ADM options is assumed in relation to an increase in Employer Pension Contribution at the point of establishment;
- Each option would deliver enabling support to the community libraries. It is assumed that the cost of support is fully funded by the Council, resulting in a zero-sum gain to the service; and
- Set-up costs associated with the establishment of each option are assumed to be covered by the Council.

11.2 Option 1 - Remain in-house with re-engineering

Assumptions

- A gradual increase in existing traded service income of 1% per annum from Yr2 onwards. It is not assumed that any new services would be established by the in-house service; and
- Cost levels are assumed to increase by 1% per annum from Yr2. This represents an inflationary uplift in all costs, with the Council assumed to increase the value of funding allocated to the service by 1% to cover the increase in costs.

Financial forecast

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	£3,468,256	£3,502,939	£3,537,968	£3,573,348	£3,609,081
Total costs	£3,468,256	£3,502,939	£3,537,968	£3,573,348	£3,609,081
Operating surplus	£0	£0	£0	£0	£0
Retained surplus for re-investment	£0	£0	£0	£0	£0

11.3 Option 2 - Strategic partnership with neighbouring local authority

Assumptions

- A gradual increase in existing traded services of 1% per annum from Yr1 is assumed;
- It is not assumed that any new services would be established; and
- Cost levels are assumed to reduce by 1% per annum during Yrs1 and 2. This is as a result of the shared service realising 2% efficiencies to the service's cost base (i.e. reduction in posts and general economies of scale), although an assumed 1% inflationary uplift would result in a final level of savings of 1%. Further efficiencies of 1% per annum are assumed from Yr3 onwards, although an inflationary pressure of 1% negates these efficiencies.

Financial forecast

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,470,293**	**£3,472,350**	**£3,474,428**	**£3,476,527**	**£3,478,647**
Total costs	**£3,433,573**	**£3,399,238**	**£3,399,238**	**£3,399,238**	**£3,399,238**
Operating surplus	**£36,720**	**£73,113**	**£75,191**	**£77,289**	**£79,409**
Retention of underspend by neighbouring partner (50%)	£18,360	£36,556	£37,595	£38,645	£39,705
Retained surplus for re-investment (cumulative)	**£18,360**	**£54,916**	**£92,511**	**£131,156**	**£170,861**

11.4 Option 3 - LATC

Assumptions

- Income
  - NB. The service currently generates c6.3% of income from non-Council sources;
  - Current services - A 3% increase in current traded services from Yr1, resulting from improved marketing and impact of employing Commercial Manager;
  - Increase in income from professionalised room hire offer, commencing with pilot in Yr2;
  - New income for premium traded services and start-up businesses (pilots in Yrs2 and 3 respectively);
  - Assumes the LATC takes responsibility for the delivery of the Council's archives service in Yr3. No profit margin is assumed;
  - Assumes £20k of contracts secured per annum via SCL procurement framework in Yr 2 and increasing thereafter;
  - No assumption relating to the service taking responsibility for other local authority library services (as would breach Teckal 'function test' as such a contract would likely be valued at >£1m); and
  - Limited access to service development funded via external grant funding. While the LATC could achieve social enterprise status, due to a close relationship with the Council, it is assumed that the new model would not achieve charitable status.
- Cost
  - Assumes the appointment of a Commercial Manager and Financial Director at the start of Yr1. Both are new posts, although it is assumed that some restricting of the existing leadership team would be undertaken. As such, an additional cost of £100k including on-costs is assumed;
  - Profit margin of 2.5% assumed on expansion of current services;

- Profit margin of 3% assumed on all new services and contracts, although a profit margin is not assumed for the archives service.
- Irrecoverable VAT liability and corporation tax assumed, as are costs associated with business insurance.

- Savings
  - 2% saving cumulative per annum assumed in relation to operating a closed pension scheme, with the scheme for new joiners assumed to cost less due to reduced Employer Contribution Rates; and
  - No back-office savings realised for Yrs1 and 2, as the LATC would be required to procure services from the Council. From Yr3 onwards, a saving of 2% is assumed as the LATC procures some back-office support services from the market.

Financial forecast

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,476,867**	**£3,512,661**	**£4,063,644**	**£4,096,322**	**£4,135,700**
Total costs	**£3,593,120**	**£3,616,268**	**£4,117,972**	**£4,146,178**	**£4,180,873**
Operating surplus	**-£116,253**	**-£103,607**	**-£54,328**	**-£49,855**	**-£45,173**
Corporation tax	£0	£0	£0	£0	£0
Net operating position	**-£116,253**	**-£103,607**	**-£54,328**	**-£49,855**	**-£45,173**
Call on surplus by the Council (50%)	0	0	£0	£0	£0
Retained surplus for re-investment (cumulative)	**-£116,253**	**-£219,859**	**-£219,859**	**-£219,859**	**-£219,859**

The table below demonstrates how the LATC performs against the Teckal function test over the 5 year period:

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total non-Council income generated	£212,311	£248,105	£299,088	£331,766	£371,144
% of non-Council income generated (%)	6.1	7.1	7.4	8.1	9.0

11.5 Option 4 - PSM

Assumptions

- Income
  - Current services - increase (4% per annum) in current traded services, resulting from commercial freedoms, improved marketing and impact of employing Commercial Manager from Yr1 onwards;
  - Increase in income from professionalised room hire offer, commencing with pilot in Yr2;
  - New income for premium traded services and start-up businesses (pilots in Yrs2 and 3 respectively);
  - Enabling support to community libraries funded by the Council from Yr1 onwards;
  - Assumes annual increase (20%) in value of contracts secured per annum via SCL procurement framework, from baseline of £50k in Yr2;
  - No assumption relating to the service taking responsibility for other local authority library services; and
  - Access to external grant funding commencing in Yr2.

- Cost
  - Assumes the appointment of a Commercial Manager and Financial Director at the start of Yr1. Both are new posts, although it is assumed that some restricting of the existing leadership team would be undertaken. As such, an additional cost of £100k including on-costs is assumed;
  - Profit margin of 3% assumed on expansion of current services;
  - Profit margin of 4% assumed on all new services, grant funding and contracts (including pilot stage);
  - Irrecoverable VAT liability and corporation tax assumed, as are costs associated with business insurance; and
  - No back-office savings realised, as the PSM would be required to procure services from the Council for two years. From Yr3 onwards, a saving of 5% is assumed as the PSM procures some back-office support services from the market.
- Savings
  - Assumes that the PSM would procure a bespoke financial management system in Yr3, resulting in no additional cost (as covered by current 'below the line budget') and a £10k saving per annum (increasing by 25% per annum) as real time information supports the service to identify efficiencies and savings; and
  - 2% cumulative saving per annum assumed from Yr1 in relation to operating a closed pension scheme, with scheme for new joiners assumed to cost the PSM less due to reduced Employer Contribution Rates; and
  - For charity - assumes that 80% mandatory NNDR savings are realised by the PSM.

Financial forecast

PSM without charitable status

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,476,867**	**£3,594,661**	**£4,149,894**	**£4,208,285**	**£4,265,957**
Total costs	**£3,590,064**	**£3,692,215**	**£4,123,007**	**£4,166,707**	**£4,208,733**
Operating surplus	**-£113,197**	**-£97,553**	**£26,888**	**£41,578**	**£57,224**
Corporation tax	£0	£0	£0	-£7,900	-£10,872
Net operating position	**-£113,197**	**-£97,553**	**£26,888**	**£33,678**	**£46,351**
Retained surplus for re-investment (cumulative)	**-£113,197**	**-£210,751**	**-£183,863**	**-£150,185**	**-£103,834**

PSM with charitable status

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,476,867**	**£3,599,661**	**£4,154,894**	**£4,213,285**	**£4,270,957**
Total costs	**£3,409,068**	**£3,521,018**	**£4,001,076**	**£4,049,777**	**£4,096,803**
Operating surplus	**£67,799**	**£78,644**	**£153,818**	**£163,508**	**£174,154**
Retained surplus for re-investment (cumulative)	**£67,799**	**£146,443**	**£300,261**	**£463,769**	**£637,923**

11.6 Option 5 - Outsource

It is not possible to forecast the viability of the service should it be outsourced to a not-for-profit or for-profit provider. Providers will have their own business models and would structure their proposals accordingly.

11.7 Option 6 - Joint venture

Assumptions

- Income
  - Current services - increase (5% per annum) in current traded services, resulting from improved marketing and impact of expertise provided by commercial partner;
  - Increase in income from professionalised room hire offer, commencing with pilot in Yr2;
  - New income for premium traded services and start-up businesses (pilots in Yrs2 and 3 respectively);
  - Enabling support to community libraries funded by the Council from Yr1 onwards;
  - Assumes annual increase (15%) in value of contracts secured per annum via SCL procurement framework, from baseline of £50k in Yr2;
  - No assumption relating to the service taking responsibility for other local authority library services; and
  - Access to external grant funding commencing in Yr1 and increasing each year thereafter - reflecting the expertise provided by the commercial partner.
- Cost
  - Set-up costs assumed to be covered by the Council;
  - Assumes the appointment of a Commercial Manager and Financial Director at the start of Yr1. Both are new posts, although it is assumed that some restricting of the existing leadership team would be undertaken. As such, an additional cost of £100k including on-costs is assumed;
  - Profit margin of 3% assumed on expansion of current services, and a margin of 4% assumed on all new services, grant funding and contracts (including pilot stage); and
  - Irrecoverable VAT liability and corporation tax assumed, as are costs associated with business insurance.
- Savings
  - For charity - assumes that 80% mandatory NNDR savings are realised by the joint venture;
  - No back-office savings realised, as joint venture would be required to procure services from the Council for two years. From Yr3 onwards, a saving of 5% is assumed as the joint venture procures some back-office support services from the market or the joint venture partner;
  - Assumes that the joint venture would procure/have access to a bespoke financial management system in Yr3, resulting in no additional cost (as covered by current ‘below the line budget’) and a £10k saving per annum (increasing by 25% per annum) as real time information supports the service to identify efficiencies and savings; and
  - 2% cumulative saving per annum assumed from Yr1 in relation to operating a closed pension scheme, with the scheme for new joiners assumed to cost less due to reduced Employer Contribution Rates.

Financial forecast

Joint venture without charitable status

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,520,941**	**£3,623,135**	**£4,198,114**	**£4,287,117**	**£4,392,141**
Total costs	**£3,643,737**	**£3,740,937**	**£4,200,814**	**£4,284,136**	**£4,381,960**
Gross operating surplus	**-£122,796**	**-£117,802**	**-£2,700**	**£2,981**	**£10,182**
Call on surpluses/management charge by joint ver	£0	£0	£0	£745	£2,545
Net operating surplus	**-£122,796**	**-£117,802**	**-£2,700**	**£2,236**	**£7,636**
Corporation tax	£0	£0	£0	£0	£0
Retained surplus for re-investment (cumulative)	**-£122,796**	**-£240,598**	**-£243,298**	**-£241,062**	**-£233,426**

Joint venture with charitable status

	Yr1 2019/20	Yr2 2020/21	Yr3 2021/22	Yr4 2022/23	Yr5 2023/24
Total income	**£3,522,941**	**£3,626,385**	**£4,201,852**	**£4,291,415**	**£4,397,084**
Total costs	**£3,484,660**	**£3,583,060**	**£4,053,405**	**£4,137,265**	**£4,235,708**
Gross operating surplus	**£38,281**	**£43,325**	**£148,446**	**£154,150**	**£161,376**
Call on surpluses/management charge by joint ven	£9,570	£10,831	£37,112	£38,537	£40,344
Net operating surplus	**£28,710**	**£32,494**	**£111,335**	**£115,612**	**£121,032**
Retained surplus for re-investment (cumulative)	**£28,710**	**£61,204**	**£172,539**	**£288,151**	**£409,183**

12. Assessment criteria

12.1 Methodology

The assessment criteria used to inform the options appraisal were developed during engagement sessions attended by service staff, elected members and community representatives.

Assessment criteria were developed to inform each of the following tiers of investigation:

- Desirability - To what extent does each option provided the Council and core library service with the ability to achieve a range of strategic priorities?
- Viability - To what extent does each option provide the core library service with the ability to reduce dependence on Council income (e.g. the core contract), added value (via the re-investment of surpluses) and promote the sustainability and resilience of the service?
- Feasibility - Can each option be established?

Once the assessment criteria were developed, each was assigned a weighting (high/medium/low) to demonstrate their level of importance. The weighting assigned to criterion is the value that the score for each option will be multiplied by:

- High - weighted value of between 8 and 10;
- Medium - weighted value of between 7 and 5; and
- Low - weighted value of between 4 and 1.

For example, if an option achieves a mid-score against a criterion considered to be of 'high' weighting, the calculation is as follows: 5 (option's performance against the criterion) x 10 (weighted value) = 50 points

12.2 Assessment criteria

Full details of the assessment criteria, scoring mechanisms and weightings that inform this options appraisal are located in Appendix B. Summary details of each criterion are included as part of the scoring process within section 13.

13. Scoring and rationale

Each of the assessment criteria has been applied to the propositions to identify the preferred delivery model for the core library service.

As outlined within section 10, two options exist for the PSM and joint venture options (charitable/non-charitable), while two options exist for the outsourcing option (for-profit provider and not-for-profit provider). Where derivatives of each option would result in different levels of performance, each derivative of the option is scored.

13.1 Desirability

D1 - Ability to operate as a single-focussed organisation that is in a position to prioritise the delivery of a core and local offer	
Remain in-house with re-engineering	3 pts
Strategic partnership with a neighbouring local authority	5 pts
LATC	8 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

Remain in-house with re-engineering - The current in-house service is required to focus on numerous objectives, with the absence of a library strategy meaning that the service has no long term strategic plan or focus. Given the current arrangement, changes in Council priorities directly impact on the strategic direction assumed by the service. The service's leadership team has been heavily focussed on developing reports and service blueprints to inform the decision making process relating to the future of the service. This has significantly reduced the group's capacity to focus on service development

In addition, ongoing Council transformation programmes (i.e. property, back-office etc.) require their involvement. These demands result in the service and leadership team not being able to adopt a single and concentrated focus relating to the delivery of a core and local offer. These demands are anticipated to continue in the future should the service remain in-house.

Strategic partnership - Through the partnership/shared service agreement, a clearly defined specification would be agreed between both local authorities. The neighbouring local authority would be in a position to focus on the delivery of a clear set of priorities and objectives. Risk of multiple objectives emerging would however remain, as the nature of the agreement in place would most likely enable the Council to maintain the flexibility to change the priorities of the service on an ongoing basis.

LATC - The establishment of a LATC would create a contractual relationship between the Council and new model. The contract/specification would define Council expectations for the service, while the quarterly monitoring and annual service planning process would allow discussions between both parties. These structures and processes would provide clarity around a set of priorities and objectives for the service, thus allowing the LATC to acquire a single focus (assuming that the specification was in itself focussed on limited number of relevant priorities).

It is assumed that the LATC would be owned and controlled by the Council. Any changes to the contract/specification would require the agreement of the LATC's board of directors. As the board would be controlled by the Council, the group is likely to accept the changes. While this would benefit the Council, such changes (should they take place regularly) would restrict the ability of the service to maintain a single focus and plan for the long term.

PSM, outsource and joint venture - Each option would lead to the creation of a contractual relationship between the Council and new model. Compared to the in-house, strategic partnership and LATC options, the PSM, outsourcing and joint venture options would provide the service with

the space and autonomy to focus on the delivery of services without the risk of short notice changes in focus being requested by the Council. The contract would likely give the Council the ability to request contract variations, but these would need to be accepted by the PSM/outsourced provider/joint venture. As the contract would be for at least 3 years, the structures are therefore in place to protect the focus of the service and provide a longer term planning horizon.

D2 - Ability to deliver a local offer that reflects the needs of individual local communities	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

All options - It is not possible to distinguish between the options in terms of their respective abilities to successfully deliver a local offer that reflects the needs of individual communities. Should the Council specify within the contract/specification that such services are required, the provider would be obliged to deliver these services.

NB. The ability of each model to meaningfully engage with local communities to influence the nature of the offer is tested elsewhere (see assessment criteria D7 and D8).

D3 - Ability to provide enabling support (e.g. stock, training and professional advice) to libraries outside of the core library service (assuming additional budget is made available to fund the delivery of enabling support)	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

All options - It is not possible to distinguish between the options in terms of their respective abilities to deliver enabling support to community libraries. The current understanding is that the service and Council would undertake work to develop the specification and budget for these additional services. Once agreed, the requirement would be included within the service specification/contract.

D4 - Ability to not add unnecessary complexity and/or service fragmentation	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

NB. It is assumed that the 'front line services' referred to within this criterion relate to the core and local offer delivered by the 10 + 3 core library service. By definition, the establishment of a (i) core library service and (ii) community library service would lead to a degree of service fragmentation. This criterion is designed to assess whether there would be fragmentation of the core and local offer delivered by the core library services.

Remain in-house with re-engineering - Should the Council continue to directly deliver the core offer, there would be no fragmentation of the library service as all core and local library services would be delivered by a single provider.

Strategic partnership - Although a neighbouring authority would be responsible for the delivery of the core and local offer, this would still result in a single provider delivering library services via the 10 + 3 library service. The neighbouring authority would deliver services on behalf of the Council, with no change in branding assumed. From a library user perspective, services would still be delivered via single provider.

LATC, PSM and outsource - As above. Should the LATC/PSM/outsourced provider deliver the core and local offer, it would be contracted as a single provider to deliver these services (unless otherwise stated in the contract).

Joint venture - The joint venture proposition assumes that a commercial partner is appointed to support the development of the core library service. The contract for the delivery of the core and local offer would be held between the Council and joint venture, meaning that a single provider would be contracted to deliver the service.

Potential exists for the commercial partner to develop and deliver new services. The Council could specify (via the contract) that this should be done through the joint venture, meaning that it remains solely the joint venture delivering all elements of the core and library offer.

D5 - Ability to ensure a clear line of accountability exists between the model and elected members/officers, thus ensuring BCC is in a position to monitor performance against statutory duties	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	8 pts
LATC	9 pts
PSM	7 pts
Outsource	7 pts
Joint venture	7 pts

Remain in-house with re-engineering - Should the core service continue to be delivered by the Council, current lines of democratic accountability and operational responsibility would remain in place. The Council would determine the service's future priorities and would be in a position to take direct/immediate action to manage strategic risks facing the service and/or Council. The performance of the service would be regularly review and discussed at scrutiny and full council meetings.

Strategic partnership - As per the anticipated requirements within the partnership/shared service agreement, the neighbouring authority would be required to regularly report on the performance of the service. Performance would be reviewed and discussed at scrutiny and full council meetings.

As the service would be operationally managed by a third party, the Council's ability to directly manage risks associated with the service would be reduced (when compared to the in-house model). While a partnership approach is likely, in essence the Council would be relying on a third party to address risks on its behalf. The Council would take action to address strategic risks, although it would require the neighbouring authority to cooperate to ensure that the risk is fully mitigated.

LATC - The LATC would be required to produce regular (i.e. quarterly) performance monitoring reports. Performance would be reviewed and discussed at scrutiny and full council meetings. As the LATC would be owned and controlled by the Council, both parties would collectively address risks as they emerge.

PSM, outsource and joint venture - The new model would be required to produce regular (i.e. quarterly) performance monitoring reports. Performance would be reviewed and discussed at scrutiny and full council meetings.

In terms of managing risks, the aim would be to establish a relationship based on trust. While the new model would be required to work with the Council to mitigate risks, it may not agree with the course of action being proposed by the Council, or may have a different tolerance for risk. There is therefore potential for the Council's ability to manage strategic risks being reduced as a result of the establishment of a PSM, outsourced or joint venture delivery model.

D6 - Ability to allow BCC the option of transferring additional services to the model in the future (assuming agreement is reached between BCC and the new model)	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	7 pts
LATC	8 pts
PSM	7 pts
Outsource	7 pts
Joint venture	7 pts

NB. This criterion assumes that any additional services identified by the Council for transfer can legally be delivered by non-local authority providers.

Remain in-house with re-engineering - As a Council managed service, the Council would be in a position to merge the service with other Council operated services. The Council would require a strong business case assess the cost and benefits of such a change. Should the benefits outweigh the costs, the Council would be in a position to combine the services.

Strategic partnership - Should the Council intend to transfer delivery responsibility for an additional service to the neighbouring authority, this would require amendments to the existing partnership/shared service arrangement, or the development of a new agreement.

The neighbouring authority would be required to agree to the transfer. While the transfer may be in the interests of the Council, the proposal may not be as attractive to the neighbouring authority. Until more is known about the service in question, a risk exists that the proposed transfer may not be accepted by the neighbouring authority.

LATC - No obvious technical barriers exist to transferring additional services to the LATC. However, although the LATC is owned and controlled by the Council, the board of directors is required to act in the best interests of the company. The board would therefore be required to ensure that accepting this transfer would not negatively impact on the organisation's sustainability or purpose. Should these tests be met, it would be anticipated that the Council's influence over the organisation would result in the service transferring to the LATC.

PSM, outsource and joint venture - Similar to the LATC, no obvious technical barriers exist. For the Council to oversee the transfer of additional services, the board of the PSM/outsourced provider or joint venture would be required to agree to the proposal. They would be required to appraise the opportunity from numerous angles, to assess whether a strategic, financial, commercial, management and economic case exists. Unlike an LATC, the Council would not be in a position to influence the model's decision makers through their direct control of the organisation, thus resulting in the risk that the Council's proposition may be rejected.

Should the service establish as a PSM or joint venture with charitable status, the additional service identified for transfer would be required to align with the PSM/joint venture's charitable purpose. Should there be no alignment, the PSM or joint venture may be required to establish a trading company to house the new service.

D7 - Ability to positively engage and motivate core library service staff	
Remain in-house with re-engineering	2 pts
Strategic partnership with a neighbouring local authority	2 pts
LATC	5 pts
PSM	10 pts
Outsource	n/a
Joint venture	10 pts

Remain in-house with re-engineering - The in-house proposition does not offer staff opportunity to assume ownership or a meaningful level of control over the service. Current staff engagement arrangements would continue - these could potentially improve although would not result in staff ownership or an ability to meaningfully influence the strategic direction of the service.

Strategic partnership - The service would be delivered by a neighbouring local authority, meaning that staff would not be in a position to assume ownership. As with the in-house option, staff engagement could potentially improve although this is likely to be limited and unlikely to extend to staff being in a position to meaningfully influence the strategic direction of the service.

LATC - The LATC would be owned and controlled by the Council, meaning that there is limited opportunity for staff to own part of the new organisation. As an independent entity, staff involvement in decision making (particularly at an operational level) has the scope to increase in a meaningful way, both on a day to day basis and via the establishment of a staff advisory group. Other LATC spin-outs have reported higher levels of staff engagement and satisfaction, although this should be seen in the context of an organisation that remains under the ownership and control of the Council.

PSM and joint venture - The propositions assume that staff would be part owners of the PSM (PSM 51%, joint venture 50%), with representation at board level. As a result, staff would likely have voting rights (on key decisions and the election of board members) and the opportunity to operate a staff advisory group that feeds directly into the board. The organisation's culture would be likely to change, resulting in front line staff having greater levels of autonomy over how the core and local offers are delivered.

Outsource - It is not possible to score the outsourcing option in relation to this criterion. Until more is known about the provider, it is not possible to comment on their existing ownership and governance structure. Some providers (i.e. Libraries Unlimited) are part owned by staff, although it remains unclear whether staff from the Bristol service would assume the same ownership rights as staff delivering library services in Devon. Similarly, should a for-profit provider be appointed, until the provider's ownership structure is understood, it is not possible to assess whether staff ownership and meaningful influence is possible.

D8 - Ability to positively engage with Friends Groups, individual library users and community groups	
Remain in-house with re-engineering	2 pts
Strategic partnership with a neighbouring local authority	2 pts
LATC	5 pts
PSM	10 pts
Outsource	n/a
Joint venture	10 pts

Remain in-house with re-engineering - The in-house proposition does not offer external stakeholders the opportunity to assume ownership or a meaningful level of control over the service. Current types of stakeholder engagement arrangements would continue - these could potentially improve although would not result in ownership or an ability to meaningfully influence the strategic direction of the service.

Strategic partnership - The service would be delivered by a neighbouring local authority, meaning that external stakeholders would not be in a position to assume ownership. As with the in-house option above, stakeholder engagement could potentially improve although this is likely to be limited and unlikely to extend to external stakeholders being in a position to meaningfully influence the strategic direction of the service.

LATC - The LATC would be owned and controlled by the Council, meaning that there is limited opportunity for external stakeholders to own part of the new organisation. As an independent entity, stakeholder involvement in decision making (particularly at a local library level) has the scope to increase in a meaningful way, both on a day to day basis and via the establishment of various stakeholder advisory groups.

PSM and joint venture - The propositions assume that external stakeholders would be part owners of the new models, with representation at board level. As a result, stakeholders would have voting

rights (on key decisions and the election of board members), resulting in an ability to meaningfully influence the strategic direction of the organisation. Each of the models would operate a number of external stakeholder advisory groups that would feed directly into the board of directors.

Outsource - It is not possible to score the outsourcing option in relation to this criterion. Until more is known about the provider that would deliver the Council's library service, it is not possible to comment on their existing ownership and governance structure and the role that could potentially be played by external stakeholders. The Council could insist on a requirement to involve external stakeholders within the service's decision making processes, however until the details are known it is not possible to assess whether the proposed level of involvement would lead to meaningful influence.

Salient issue - The Council and service should consider whether the intention is for the core library service to engage with all Friends Groups, library users and community organisations, or just those with an association to the 10 + 3 library service.

D9 - Ability to enable staff to retain their existing T&Cs (e.g. sick pay, annual leave, Local Government Pension Scheme membership and continuous service)	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

NB. This criterion assesses the ability of each option to ensure that staff T&Cs are protected at the point of transfer. All of the options (including remaining in-house) provide the opportunity for the employer to undertake consultation once the new model is established, with a view to changing staff T&Cs. It is assumed that the Council would require the provider of the external service to protect Ts&Cs for a period after the transfer has taken place.

Remain in-house with re-engineering and strategic partnership - All staff terms and conditions would remain in place.

All other options - Staff would transfer to the new model via TUPE, resulting in a protection of their existing terms and conditions. The new model would be required to secure Admitted Body Status, meaning that staff pension rights would continue post-transfer.

Should the decision makers of the new model require any changes to terms and conditions, this would require a formal consultation process to be undertaken post TUPE.

Summary of scoring - desirability

The scoring of options for the desirability stage is as follows:

Desirability	Score	Points available	% score	Rank
PSM - non-charity	729	780	93.46	=1st
PSM - charity	729	780	93.46	=1st
Joint venture - non-charity	729	780	93.46	=1st
Joint venture - charity	729	780	93.46	=1st
Outsource - not-for-profit	549	600	91.50	=5th
Outsource - for-profit	549	600	91.50	=5th
LATC	645	780	82.69	7th
Remain in-house with re-engineering	566	780	72.56	8th
Strategic partnership	544	780	69.74	9th

The PSM and joint venture options perform equally well from a desirability perspective. Both would lead to a contractual relationship being established between the Council and new model, providing the service with the independence, freedom and decision making autonomy required to operate a

single focussed service. The contractual arrangement has the potential to lead to a longer term planning horizon, as the Council and service would be required to agree any changes to the service's strategic direction and focus.

This lack of flexibility (from a Council perspective) led to the in-house, strategic partnership and LATC outperforming the PSM and joint venture options in terms the Council's ability to actively manage strategic risks associated with the delivery of statutory elements of the service. While the PSM/outsourced provider/joint venture would be required to work with the Council to mitigate risks, it may not agree with the course of action being proposed by the Council, or may have a different tolerance for risk.

Both options provide staff, volunteers, Friends Groups, individual library users and community organisations with the opportunity to be meaningfully engaged and able to directly influence the strategic direction of the service, as these stakeholders would assume a degree of ownership and control over the service.

13.2 Viability

The following criteria are informed by the assumptions and financial modelling presented in section 11.

V1 - Ability to demonstrate financial viability over a 5 year period	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	0 pts
PSM	
Non-charity	6 pts
Charity	10 pts
Outsource	n/a
Joint venture	
Non-charity	4 pts
Charity	10 pts

See assumptions and financial forecasts contained within sections 11.1 to 11.7 for details on financial performance over the 5 year period.

Remain in-house with re-engineering - The in-house service is anticipated to breakeven each year, as the service's operating model would be been designed to equal the level of the Council's funding (minus the traded income generated by the service).

Strategic partnership - The service delivered via a strategic partnership is forecast to realise an operating surplus/underspend each year. The model is predicted to realise efficiencies through reduced duplication and economies of scale.

LATC - The LATC is forecast to sustain significant operating losses each year. The new costs of operating as an independent organisation are greater than the anticipated levels of traded income to be generated and the levels of savings that are anticipated.

PSM (non-charity) - The PSM is forecast to sustain operating losses in Yrs1 and 2 post-establishment. Although losses reduce over the period, the model is unable to generate sufficient levels of new income to cover the costs of operating as an independent business.

PSM (charity) - The major differentiator between the two PSM options is the ability of the charity to realise significant savings through NNDR (£190,997 per annum). While this ensures that the charitable PSM to generate growing levels of operating surplus, without the NNDR saving the PSM is forecast to realise an operating loss during Yrs1 and 2 (as above).

Outsource - It is not possible to forecast the potential viability of the service should it be outsourced to an existing not-for-profit provider. Existing providers will have their own business models and

would structure their proposals accordingly. It is impossible therefore to assess the viability of a provider's proposal until it has been received as part of the procurement process.

Joint venture (non-charity) - The joint venture is forecast to sustain operating losses during the first three years post-establishment. Although the appointment of a commercial partner would increase the level of traded, contract and grant income generated, this new income is not at the required rate (and margin) to offset the new costs associated with operating a new business. Growth in income levels do however lead to an operating surplus being achieved from Yr4 onwards.

Joint venture (charity) - The major differentiator between the two joint venture options is the ability of the charity to realise significant savings through NNDR. While this ensures that the charitable joint venture generates growing levels of operating surplus, without the NNDR saving the charitable joint venture is forecast to realise an operating in Yrs1, 2 and 3 (as above).

Salient issue - The scoring of the PSM (charity) and joint venture (charity) options is informed by the assumption that the new model would benefit from NNDR. Charitable status should not be automatically assumed, given the complexity of the application process and the strict criteria that any applicant is required to meet. In addition, it is assumed that the Council would allow the new charitable model to benefit from the full 80% discretionary relief. Should the PSM or joint venture model not benefit from NNDR relief (due to either of these reasons), the models are forecast to sustain operating losses during Yrs1 and 2 (and in the case of the joint venture Yr3). Such a situation obviously brings the viability of either option into question.

V2 - Ability to reduce reliance on BCC funding by generating alternative sources of income (i.e. diversifying income streams through the development of traded services, increased use of buildings, securing new contracts, accessing grant funding and/or other forms of fundraising)	
Remain in-house with re-engineering	0 pts
Strategic partnership with a neighbouring local authority	5 pts
LATC	5 pts
PSM	
Non-charity	10 pts
Charity	10 pts
Outsource	n/a
Joint venture	
Non-charity	10 pts
Charity	10 pts

See assumptions and financial forecasts contained within sections 11.1 to 11.7 for details on financial performance over the 5 year period.

Remain in-house with re-engineering - The in-house option is forecast to be as dependent on Council income during Yr5 as it would be in Yr1.

Strategic partnership - The strategic partnership option is not forecast to significantly reduce its dependence on Council income over the 5 years.

LATC - The LATC option is forecast to reduce dependence on Council funding by 2.9% over the 5 year period.

PSM (non-charity) - The PSM is forecast to reduce its dependence on Council funding by 5.7% over the 5 year period.

PSM (charity) - The PSM is forecast to reduce its dependence on Council funding by 5.8% over the 5 year period.

Outsource - n/a.

Joint venture (non-charity) - The joint venture is forecast to reduce its dependence on Council funding by 7% over the 5 year period.

Joint venture (charity) - The joint venture is forecast to reduce its dependence on Council funding by 7.1% over the 5 year period.

V3 - Ability to generate additional value, resulting in additional library services (i.e. over and above the levels prescribed within the contract) being delivered across the city	
Remain in-house with re-engineering	0 pts
Strategic partnership with a neighbouring local authority	5 pts
LATC	0 pts
PSM	
Non-charity	0 pts
Charity	10 pts
Outsource	
Not-for-profit provider	5 pts
For-profit provider	0 pts
Joint venture	
Non-charity	0 pts
Charity	10 pts

See assumptions and financial forecasts contained within sections 11.1 to 11.7 for details on financial performance over the 5 year period.

NB. For the purposes of this criterion, it is assumed that any cumulative surpluses generated over 5 years are available for re-investment. In reality a proportion of surpluses would be held in reserve.

Remain in-house with re-engineering - The in-house model is not forecast to generate any surpluses/underspends for re-investment. Should any underspends be realised, in reality the Council may require any underspends to be re-allocated to other Council operations.

Strategic partnership - The strategic partnership is forecast to generate c£170k for re-investment over the 5 year period.

LATC - The LATC is forecast to incur operational losses that total c£220k over the 5 year period.

PSM (non-charity) - The PSM is forecast to incur operational losses that total c£100k over the 5 year period.

PSM (charity) - The PSM is forecast to generate c£640k for re-investment over the 5 year period.

Outsource (not-for-profit) - Although no financial model has been developed for either outsourcing option, this criterion aims to analyse whether the model is forecast to generate surpluses that could be re-invested in the service to realise additional social impact and social value. As detailed within criterion V3, there is currently uncertainty regarding the use of surpluses generated by a not-for-profit provider. For the provider to be incentivised to bid for the opportunity to deliver the service, there would need to be some level of financial incentive (i.e. a proportion of surpluses being channelled back to the provider). While the channelling back of surpluses to the provider would not lead to any private individual gaining economic benefit, such surpluses could be used by the provider to invest in other areas of their businesses. As such, the risk remains that some (or all) of the surpluses generated by the not-for-profit provider could be transferred out of the core library service.

Outsource (for-profit) - By definition, a for-profit library provider would be incentivised to generate surpluses for private gain. While a proportion of the surpluses may be re-invested in the service, the primary incentive of the provider would be to generate profits for distribution to shareholders or re-investment into other areas of the provider’s business. There is therefore a risk of value being eroded across the core library service.

Joint venture (non-charity) - The joint venture is forecast to incur operational losses that total c£235k over the 5 year period.

Joint venture (charity) - The PSM is forecast to generate c£410k for re-investment over the 5 year period.

V4 - Ability to involve staff, Friends Groups and library users when deciding how surpluses should be invested	
Remain in-house with re-engineering	0 pts
Strategic partnership with a neighbouring local authority	0 pts
LATC	5 pts
PSM	10 pts
Outsource	
For-profit	0 pts
Not-for-profit	0 pts
Joint venture	10 pts

NB. The above criterion assess the ability of stakeholders to influence how surpluses are re-invested, irrespective of whether the model is forecast to realise an operating surplus.

Remain in-house with re-engineering and strategic partnership - Given that staff and external stakeholders would not be in a position to meaningfully influence the strategic direction of the service (see criteria D7 and D8), it is unlikely that they would be in a position to decide how underspends should be re-invested. In reality the Council may require any underspends to be re-allocated to other Council operations.

LATC - As an independent entity, stakeholder involvement in decision making (particularly at a local library level) has the scope to increase in a meaningful way, both on a day to day basis and via the establishment of various stakeholder advisory groups. This may extend to how surpluses are re-invested. However, given that staff, volunteers and other stakeholders are unlikely to assume a meaningful level of influence, the potential for their involvement in deciding how surpluses are re-invested is limited.

PSM and joint venture - Given that staff and external stakeholders would own and control of the organisation, they are likely to be heavily involved in deciding how surpluses are re-invested.

Outsource (for-profit) - Should a for-profit outsourced provider be appointed to deliver the core and local offer, it is unlikely that staff and external stakeholders would have any influence on how surpluses would be re-invested. As a for-profit provider, the likelihood is that the provider would withdraw all or the majority of surpluses from the service.

Outsource (not-for-profit) - It is unclear whether staff and external stakeholders would be involved in the decision making processes of the outsourced provider. While some potential to involve them in decisions exists, this is likely to be at a local (library) level and not expected to extend to how corporate surpluses are re-invested.

V5 - Ability to sustain the level of risk and liability (e.g. pension deficit liabilities and property maintenance liabilities) that BCC propose to transfer to the new model	
Remain in-house with re-engineering	n/a
Strategic partnership with a neighbouring local authority	10 pts
LATC	5 pts
PSM	
Non-charity	5 pts
Charity	10 pts
Outsource	n/a
Joint venture	
Non-charity	5 pts
Charity	10 pts

Strategic partnership - The Council is assumed to retain responsibility for redundancy and pension deficit liabilities. The Council would also retain responsibility for property maintenance for all buildings.

LATC, PSM and joint venture - It is assumed that the new model would be responsible for all future redundancy and pension deficit liabilities from the point of establishment onwards. As it is assumed that the service would achieve its target operating model prior to transfer, the new model would not incur any redundancy liability in the months after the transfer, unless it takes the decision to further restructure the service (which is considered unlikely as it would be 'fit for purpose' at the point of transfer).

The models are assumed to take responsibility for future pension deficits incurred from the point of establishment onwards. The LGPS is currently at or around break-even. Should future pension deficits liabilities be incurred after 5 years, the charitable PSM and joint venture would be in a position to manage the deficit through the reserves they have developed (hence their higher scores for this criterion).

In relation to property, the budget that currently covers ongoing (non-structural) repairs and maintenance would continue to be held by the Council and used on an as-and-when basis. It has been assumed that the leases would require the Council to be responsible for structural repairs. As such, all options are in a position to manage the property liabilities associated with the premises.

Summary of scoring - viability

The scoring of options for the viability stage is as follows:

Viability	Score	Points available	% score	Rank
PSM - charity	410	600	68.33	=1st
Joint venture - charity	410	600	68.33	=1st
Strategic partnership	265	600	44.17	3rd
PSM - non-charity	230	600	38.33	4th
Joint venture - non-charity	210	600	35.00	5th
Outsource - not-for-profit	50	160	31.25	6th
Remain in-house with re-engineering	100	330	30.30	7th
LATC	105	600	17.50	8th
Outsource - for-profit	0	160	0	9th

The charitable versions of the PSM and joint venture options perform equally well from a viability perspective. Both are anticipated to generate surpluses each year over the 5 year period. However, should the savings associated with NNDR not be taken into account, both options are forecast to sustain operating losses during over the period Yr1-2 (PSM) and Yrs1-3 (joint venture). At present the viability of both options is predicated on the assumption of achieving NNDR. Should the option not achieve charitable status, or the Council not pass on the saving to the service, the options would most likely be considered as financially unviable.

The above situation raises a wider issue in relation to the level of non-Council income currently being generated by the service, and the level of growth forecast within the service's growth strategy (see section 8.3.3). The service currently generates 6.3% of its total income from non-Council sources. This is considered as low for a library service considering establishing as any form of external delivery model. Our analysis indicates that the barriers for development identified in section 5.3 have resulted in the service only being able to focus on short term and local/small scale areas of service development. The larger contracts, grant funding and partnership opportunities that would most likely lead to longer term service development are not currently in place. These factors are clearly reflected within the service's proposed growth strategy for the ADM.

The gradual growth that has been identified by the service's leadership team does is not of sufficient size to offset the new costs associated with operating and independent organisation. The LATC, PSM and joint venture models would all incur new costs that are not currently sustained by the service. Commercial growth would most likely require a Commercial Manager, while it is advisable that the newly established model appoints a Financial Director. In addition, costs associated with marketing

(to encourage and sustain growth), various types of insurance, financial/company reporting requirements and an irrecoverable VAT liability would be incurred. Given the gradual increase in income that is forecast, the gross margins associated with this new income are not sufficient to enable the service to cover new costs.

The above goes some way to explaining why NNDR relief has such a significant impact on the viability of the charitable PSM and joint venture options. As the viability case is dependent on either model achieving charitable status, this should be considered as a significant risk.

The charitable PSM and joint venture options are however forecast to realise cumulative surpluses that would be re-invested back into the core library service. Staff, volunteers, Friends Groups and community organisations would be well placed (through their involvement in the ownership and governance of each model) to influence how these surpluses are re-invested.

Salient issue - The numerous barriers to service development identified within this appraisal (see section 5.3) should be considered and if possible addressed by the Council and service. These barriers appear to be suppressing current and future income growth, restricting the service to development at a small scale and local level. Irrespective of which delivery model is assumed, these issues should be considered and addressed if possible.

Salient issue - The viability case for the charitable PSM and joint venture options is heavily dependent on the new model realising 80% mandatory NNDR. Given that charitable status is in no way guaranteed, and the Council has yet to agree a formal position on whether the NNDR savings would be kept by the service, the dependence of the viability case on NNDR should be considered as a significant risk.

13.3 Feasibility

F1 - Readiness of market to engage (e.g. in the case of a strategic partnership, outsourced or joint venture model)	
Remain in-house with re-engineering	n/a
Strategic partnership with a neighbouring local authority	5 pts
LATC	5 pts
PSM	5 pts
Outsource	5 pts
Joint venture	5 pts

Strategic partnership - The Council and service have made no direct approaches to neighbouring authorities. Potential appetite may exist, although this would need to be tested.

LATC - No evidence of Council appetite to establishing an LATC for the core library service has been expressed during this options appraisal. This does not however rule the option out, as the Council would be required to assess the desirability of establishing such a model should it be identified as the preferred option. The Council has recent experience of establishing an LATC, in the form of Bristol Waste.

PSM - Evidence from discussions with the service's leadership team suggests that staff are open to the idea of establishing a PSM, although this does not represent the collective endorsement of the concept by staff.

Outsource - Several option exist should the Council take the decision to outsource the service. Libraries Unlimited operate in Devon and Torbay, while GLL has a national reach that includes Dudley, Lincolnshire and several London boroughs.

While both would be likely to consider the opportunity, the issue of the Council retaining the 'below the line' budget may make the opportunity less attractive. The lack of flexibility that this offers is likely to reduce its appeal to external parties, while the requirement for the service to continue accessing the Council's back-office support services for a period of 2 years could also potentially reduce the attractiveness of the opportunity.

Joint venture - Potential exists to attract a joint venture partner. As with outsourcing, there are several organisations that may potentially be interested in assuming the role of commercial partner. This would represent a change in approach for both of the aforementioned providers, who generally assume responsibility for the delivery of whole library services. As with the outsource option, the Heads to Terms around back-office budgets and the requirement to access Council services for 2 years could potentially reduce the attractiveness of the opportunity.

Salient issue - In relation to the outsource and joint venture options, the Council may wish to consider undertaking a soft market testing exercise to assess the level of interest in delivering the core library service.

F2 - Ability to be procured in a legally compliant way	
Remain in-house with re-engineering	n/a
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

NB. As demonstrated by other library services delivered by external parties, there is no barrier to third parties delivering statutory library services.

Strategic partnership - The Council would be in a position to approach neighbouring local authorities to assess their appetite to deliver the core library service. Should a local authority be identified, both parties would agree a partnership/shared services agreement.

LATC - The LATC would be established via the Teckal exemption, thus allowing the Council to establish the model without the need for a procurement exercise. The Council and LATC would however be required to ensure that the model passes the control and function tests.

PSM - It is assumed that the Council perceives there to be a market for the delivery of library services, which would simplify the procurement process. The contract would need to be put up for tender at the end of its initial term and there is no guarantee that the PSM would be rewarded the contract.

Outsource - This option would require the Council to undertake a public procurement exercise. No obvious barriers exist. The contract would need to be put up for tender at the end of its initial term and there is no guarantee that the outsource provider would be rewarded the contract.

Joint venture - This option would require the Council to undertake a procurement exercise to identify an appropriate commercial partner. No obvious barriers exist. The contract would need to be put up for tender at the end of its initial term and there is no guarantee that the Joint Venture would be rewarded the contract.

F3 - Ability to not result in the removal of the service from the Libraries West agreement	
Remain in-house with re-engineering	10 pts
Strategic partnership with a neighbouring local authority	10 pts
LATC	10 pts
PSM	10 pts
Outsource	10 pts
Joint venture	10 pts

All options - Section 13.3 of the current agreements states that "*any change in the legal status of any party shall not affect the validity of this agreement and this agreement shall be binding on any successor body to the party*." As such, the transferring of delivery responsibilities to a new model is not anticipated to result in the removal of the service from the agreement.

Summary of scoring - feasibility

The scoring of options for the feasibility stage is as follows:

Feasibility	Score	Points available	% score	Rank
Remain in-house with re-engineering	80	80	100	1st
Strategic partnership	205	250	82	=2nd
LATC	205	250	82	=2nd
PSM - non-charity	205	250	82	=2nd
PSM - charity	205	250	82	=2nd
Outsource - not-for-profit	205	250	82	=2nd
Outsource - for-profit	205	250	82	=2nd
Joint venture - non-charity	205	250	82	=2nd
Joint venture - charity	205	250	82	=2nd

The remain-in house with re-engineering option is considered the most feasible, although only one criterion was relevant to the option. The remaining options are considered feasible, as an established market exists for the outsourced and joint venture options (albeit without any formal soft market testing having been undertaken). Staff appetite for a PSM is not considered as a barrier to further investigation/establishment, while the Council has recent experience of establishing an LATC (Bristol Waste).

A clear procurement route exists for each of the relevant options, while provision is made within the current Libraries West agreement to allow for the transferring of the contract to a successor party.

Salient issue - The feasibility element of the options appraisal would conventionally contain criteria relating to the timescales involved in establishing each option, as well as the perceived costs of change. Both areas were flagged during the engagement sessions with stakeholders, however none of the groups developed criteria relating to these lines of investigation. Given the uncertainty surrounding the future shape and structure of the service, the Council and service may wish to re-run the options appraisal exercise once more is known in terms of preferred timescales and acceptable level of costs involved in establishing the re-designed service.

13.4 Final scoring and conclusions

The scoring of options for the full options appraisal is as follows:

Overall scoring	Score	Points available	% score	Rank
PSM - charity	1344	1630	82.45	=1st
Joint venture - charity	1344	1630	82.45	=1st
Outsource - not-for-profit	804	1010	79.60	3rd
Outsource - for-profit	754	1010	74.65	4th
PSM - non-charity	1164	1630	71.41	5th
Joint venture - non-charity	1114	1630	70.18	6th
Remain in-house with re-engineering	746	1190	62.69	7th
Strategic partnership	1014	1630	62.21	8th
LATC	955	1630	58.59	9th

Overall findings and recommendations - Informed by the findings from this options appraisal, we recommend that the Council and service consider undertaking the following:

- Consider each of the salient issues identified within this report;
- Undertaker soft market testing to develop a stronger understanding of the market for outsourcing. Once additional information has been collected, revisit and update the scoring for both outsource options;
- Due to the equal scoring of the PSM and joint venture charitable options, undertake a business case to develop a deeper understanding of the costs/benefits associated with each; and

- Compare the final findings from the options appraisal with the conclusions drawn from the other areas of investigation currently being undertaken.

Based on the above findings, the following salient issue has emerged:

Salient issue - It has not been possible to provide a score for either outsource option for several criteria. Until more is known about the nature of the provider, it is not possible to assess whether (for example) staff, volunteers, Friends Groups and community groups would play a meaningful role in influencing the strategic direction of the service. The viability of an outsourced service is also not clear, as each provider would adopt a different commercial approach.

The inability to score the outsource options may have either a positive or negative impact on the overall score and ranking of each option. The Council and service may wish to consider undertaking a soft market testing exercise to develop a stronger understanding of whether existing providers of library services would be interested in the opportunity to deliver the Council's library services, and if so on what terms.

14. Salient issues for consideration

A number of salient issues have been identified throughout the options appraisal. We recommend that the Council and core library service consider each of the following issues:

Scalability of options appraisal process/findings

- Should a decision be taken to consider a different service configuration (i.e. more or less than the 10 + 3 libraries that are currently considered to be in-scope), two of the three elements that make up this appraisal are scalable (desirability and feasibility). Given the nature of the assessment criteria developed by the Council, service and other stakeholders, the scorings for both of these areas are unlikely to significantly change should the service configuration change.

  The viability section would however require re-working. As outlined within the viability section, the majority of external delivery model options are at risk of being unviable. Should additional libraries be included within the scope of the core library service without additional funding being made available, each ADM option is likely to be considered unviable. Should the Council decide to reduce the opening hours for all in-scope libraries (to ensure that the service does not overspend), this may bring into question whether the Council is meeting statutory duties.

Further development and testing of the outsource options

- It has not been possible to provide a score for either outsource option for several criteria. Until more is known about the nature of the provider, it is not possible to assess whether (for example) staff, volunteers, Friends Groups and community groups would play a meaningful role in influencing the strategic direction of the service. The viability of an outsourced service is also not clear, as each provider would adopt a different commercial approach.

  The inability in places to score the outsource options may have either a positive or negative impact on the overall score and ranking of each option. The Council and service may wish to consider undertaking a soft market testing exercise to develop a stronger understanding of whether existing providers of library services would be interested in the opportunity to deliver the Council's library services, and if so on what terms.

Further testing of the feasibility of each option

- The feasibility element of the options appraisal would conventionally contain criteria relating to the timescales involved in establishing each option, as well as the perceived costs of change. Both areas were flagged during the engagement sessions with stakeholders, however none of the groups developed criteria relating to these lines of investigation. Given the uncertainty surrounding the future shape and structure of the service, the Council and service may wish to re-run the options appraisal exercise once more is known in terms of preferred timescales and acceptable level of costs involved in establishing the re-designed service.

Procurement

- Should the PSM be identified by the Council and service as the preferred option, the Council is required to consider whether a procurement exercise is required. We have assumed for the purposes of this options appraisal that an established market exists, resulting in an increased risk of legal change should the Council directly award the contract to the PSM/staff group.

Commercial development

- The significant range of barriers to service development identified within this appraisal (see section 5.3) should be considered and if possible addressed by the Council and service. These barriers appear to be suppressing current and future income growth, restricting the service to service development at a small scale and local level. Irrespective of which delivery model is assumed for the service, these issues should be considered and addressed if possible;
- The opportunities identified for service development and income generation require further consideration. A feasibility study for each identified area for service developed is required, to develop, cost (including capital funding requirements) and test each concept.
- Irrespective of the delivery model assumed by the service, it would be beneficial for the Council to support the service to develop a social impact framework. Such evidence would significantly strengthen the service's ability to attract external funding, secure contracts, establish partnerships and diversify income streams; and
- Although no additional services have been identified for inclusion within the library service ADM, the service and Council may wish to consider undertaking a separate portfolio analysis at a later date. One of the assessment criteria used within this appraisal (D6) is designed to assess the ability of each option to allow for services to transfer to the ADM in the future.

Stakeholder involvement

- The Council and service should consider whether the intention is for the current library service to engage with all current Friends Groups, library users and community organisations, or just those with an association to the 10 + 3 library service.

Premises

- Information received to date indicates that no alienation clauses exist for in-scope premises, although some properties can only be assigned as a whole (as opposed to in part). Consent to assign is required for some properties. Due to perceived covenant weakness, any application for consent to assign/sub-let is expected to be withheld.

Charitable status

- There is a clearly defined process of applying for charitable status. To achieve charitable status, the Charity Commission needs to be satisfied that the organisation meets the legal tests for charitable status, is required to register as a charity and should be monitored after registration. While other library PSMs have achieved charitable status, there remains the risk that any applicant may fail the application process or fail to meet the ongoing reporting requirements;
- The viability case for the charitable PSM and joint venture options is heavily dependent on the new model realising 80% mandatory NNDR. Given that charitable status is in no way guaranteed, and the Council has yet to agree a formal position on whether the NNDR savings would be kept by the service, the dependence of the viability case on NNDR should be considered as a significant risk; and
- The level of staff ownership and control may determine whether the PSM achieves charitable status. For the charitable PSM and joint venture options, it may need to be reduced below the assumed level of 51/50% in order to achieve charitable status. The service should seek expert legal advice on this issue should they wish to further investigate either option.

15. Appendices

Appendix A - In-scope libraries

Classification	Name	Service offer
Central	Central Library	54 hours a week - 7 days
Area Libraries	Bedminster, Henleaze, Junction 3	47 hours a week - 6 days
Local Libraries	Bishopston, Fishponds, Hartcliffe, Henbury, Knowle, Southmead	22.5 hours a week - 3 days
Extended access libraries	Westbury, Stockwood and St. George	

Appendix B - Assessment criteria, scoring mechanism and weighting

Desirability

Criterion Ability of model ….	Good	Medium	Bad	Weighting
D1. To operate as a single-focussed organisation that is in a position to prioritise the delivery of the core and local offer	Model is in a position to focus solely on the delivery of the core and local offer	N/A	Model is required to focus on multiple objectives, resulting in limited resources (including management capacity) being available to deliver the core and local offer	H 10 pts
D2. To deliver a local offer that reflects the needs of individual local communities	Model is incentivised to deliver a local offer (e.g. activities, events and services) that reflects the needs of local communities	N/A	Model is not incentivised or able to deliver local variations, resulting in uniform offer	H 9 pts
D3. To provide enabling support (e.g. stock, training and professional advice) to libraries outside of the core library service (assuming additional budget is made available to fund the delivery of enabling support)	Model could be contracted to provide out of scope libraries with enabling support	N/A	Model could not be contracted to provide out of scope libraries with enabling support	H 8 pts
D4. To not add unnecessary complexity and/or service fragmentation	Arrangement would result in the core and local offer being delivered by a single provider	N/A	Arrangement would result the core and local offer being delivered by two or more providers	M 6 pts
D5. To ensure a clear line of accountability exists between the model and BCC elected members/officers, thus ensuring BCC is in a position to monitor performance against statutory duties	Clear arrangements would exist to allow BCC to monitor the performance of the service BCC is in a position to directly manage strategic risks associated with the delivery of this statutory service	N/A	Proposed arrangements indicate an inability for BCC to actively monitor the performance of the service BCC is not in a position to directly manage strategic risks associated with the delivery of this statutory service	H 9 pts

D6. To allow BCC the option of transferring additional services to the model in the future (assuming agreement is reached between BCC and the new model)	The model provides the Council with the ability to transfer additional services in the future	N/A	The model does not provide the Council with the ability to transfer additional services in the future	H 8 pts
D7. To demonstrate the ability to positively engage and motivate core library service staff	Model's ownership and governance structure would enable staff and volunteers to play a meaningful role in influencing the direction of the service	Model may provide some opportunity for staff and volunteers to influence the direction of the service, although their roles would not be formalised within the model's ownership and governance arrangements	Model's ownership and governance structure unlikely to result in staff and volunteers playing a meaningful role in influencing the direction of the service	H 9 pts
D8. To demonstrate the ability to positively engage with Friends Groups, individual library users and community groups	Model's ownership and governance structure would enable Friends Groups, library users and communities to play a meaningful role in influencing the direction and nature of services	N/A	Model's ownership and governance structure would not enable library users and communities to play a meaningful role in influencing the direction and nature of services	H 9 pts
D9. Enable current staff to retain their existing T&Cs (e.g. sick pay, annual leave, Local Government Pension Scheme membership and continuous service)	All current staff T&Cs would be transferred to the new model	N/A	Staff unable to transfer all of their current T&Cs to the new model	H 10 pts

Viability

Criterion Ability of model ….	Good	Medium	Bad	Weighting
V1. To demonstrate financial viability over a 5 year period	2 points for each year (over the 5 year period) where the option is forecast to breakeven			H 10 pts
V2. To reduce reliance on BCC funding by generating alternative sources of income (i.e. diversifying income streams through the development of traded services, increased use of buildings, securing new contracts, accessing grant funding and/or other forms of fundraising)	Model demonstrates the forecast ability to reduce dependence on BCC funding by +5% over 5 years	Model demonstrates the forecast ability to reduce dependence on BCC funding by between 0.1%-4.9% over 5 years	Model is forecast to remain as reliant on BCC funding in Yr5 as in Yr1	M 7 pts
V3. Generate additional value, resulting in additional library services (i.e. over and above the levels prescribed within the contract) being delivered across the city	>£200k available for re-investment	Between £100k-£200k available for re-investment	<£100k available for re-investment	H 10 pts
V4. To involve staff, Friends Groups and library users when deciding how surpluses should be invested	Model's governance structure would result in staff, Friends Groups and library users being in a position to influence how surpluses are invested	Model may involve stakeholders in the decision making process, although such arrangements would not be formalised within the entity's ownership and/or governance structure	Model's governance structure is unlikely to result in staff, Friends Groups and library users being in a position to influence how surpluses are invested	M 6 pts
V5. To sustain the level of risk and liability (e.g. pension deficit liabilities and property maintenance liabilities) that BCC propose to transfer to the new model	The viability of the new model is not significantly threatened by the proposed transfer of risks and liabilities	N/A	The viability of the new model is significantly threatened by the proposed transfer of risks and liabilities	H 8 pts

Feasibility

Criterion Ability of model ….	Good	Medium	Bad	Weighting
F1. Readiness of market to engage (e.g. in the case of a strategic partnership, outsourced or joint venture model)	An established market exists, resulting in BCC being reasonably confident that a suitable provider could be appointed	A single provider may express interest in delivering the service, but as they have not been approached, uncertainty exists	An established market is not considered to exist, resulting in a significant risk that BCC may not be able to identify a suitable provider	H 9 pts
F2. To be procured in a legally compliant way	A clear and compliant procurement route exists	N/A	The proposed procurement route represents a risk to BCC	H 8 pts
F3. To not result in the removal of the service from the Libraries West agreement	BCC is in a position to novate the agreement to the new model, resulting in no costs or termination of the existing contract	BCC is in a position to novate the agreement to the new model, although there is anticipated to be a cost associated with the transfer of the contract to the new model	Inability to novate/continue with agreement, either as a result of the terms of the Libraries West agreement, or the new provider not wishing to access these services	H 8 pts